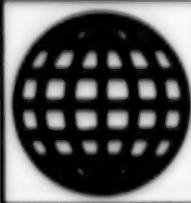


JPRS-CAP-92-018
27 MARCH 1992



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Security Ministry Amends Identification Card Fees

OW1003062192 Beijing XINHUA Domestic Service in Chinese 2144 GMT 10 Mar 92

[Text] Beijing, 3 March (XINHUA)—With the approval of the State Council, the Ministry of Public Security amended Articles 44 and 45 of the "Rules for Implementing the Regulations Governing Resident Identification Cards of the PRC" and promulgated the amended articles on 27 February 1992.

Article 44 is amended as follows: Citizens shall pay a fee when applying for the Resident Identification Card for the first time or when applying for a replacement.

Citizens applying for a new Resident Identification Card to replace a lost card shall pay twice the amount of the standard fee.

Article 45 is amended as follows: The standard fee for the Resident Identification Card shall be decided by the State Administration of Commodity Prices and the Ministry of Finance.

Fees paid by the citizens shall be treated as local revenue and turned over to the state treasury.

In concert with the implementation of Articles 44 and 45, the Ministry of Public Security, the State Planning Commission, the Ministry of Finance, and the State

Administration of Commodity Prices recently issued a joint circular on the question of budget once the issuance of the Resident Identification Card becomes a day-to-day affair. The circular contains the standard fee schedule, the use of the revenue, and other specific requirements. Provisions requiring citizens to pay a fee when applying for the identification card for the first time will be implemented beginning 1 April 1992.

Before the amendment, Articles 44 and 45 of the "Rules for Implementing the Regulations Governing Resident Identification Cards of the PRC" read as follows:

Article 44. Citizens are exempted from paying a fee when applying for the Resident Identification Card for the first time.

Citizens applying for a replacement shall pay a fee.

Citizens applying for a new Resident Identification Card to replace a lost card shall pay twice the amount of the standard fee.

Article 45. The standard fee shall be decided by the Ministry of Finance on the basis of the cost of production.

Fees paid by the citizens for the document shall be treated as local revenue and turned over to the state treasury.

NATIONAL AFFAIRS, POLICY

Improving State Enterprise Reform

HK1102082092 Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 12, 5 Dec 91 pp 51-55

[Article by Lai Shuiqin (6351 3055 2953), edited by Lin Daojun (2651 6670 0689); "New Reflections on Improving Reform of State-Owned Enterprises"]

[Text] We have made major achievements in our reforms over the past 10 or so years. From my point of view, the most exciting is that we have made a significant finding; that is, objectively speaking, under the conditions of socialist public ownership, the relations of power, responsibility, and interests between state-owned industrial enterprises (referred to as "enterprises" hereinafter. Both the viewpoint and position of this article fall within this scope) which engage in material production and operations and the state form an ideal combination more beneficial to the development of productive forces when compared to capitalist private ownership. Reform in the enterprise management system was in fact started by taking power, responsibility, and interests as the focal point; it is a continuous process of exploration, readjustment, and perfection for making the relations between enterprises and the state conform to the needs of developing productive forces; and it is a self-development of the superiority of socialist public ownership.

At present, there are some problems and setbacks in our reforms. But this can neither dwarf our major achievements in reforms nor change the objective existence of the superiority of socialist public ownership. On the contrary, it is because of these problems and setbacks that we have gained valuable experience and discovered that: The key to succeeding in our reforms rests simply with the relations of power, responsibility, and interests between enterprises and the state, so that eventually there is the possibility that the most superior system of mankind—socialist public ownership—can be realized. I am going to discuss in this article my viewpoint on understanding the existing system and the bright prospects for state-owned enterprise reform.

I. The Major Problem in the Existing System Is That the Relations of Power, Responsibility, and Interests Between Enterprises and the State Have Not Been Readjusted Simultaneously and That the Distribution Right and the Operation Right Are Dislocated

Under the old system, the power, responsibility, and interests of enterprises were centralized by the state, which was unfavorable to the development of productive forces. After the Third Plenary Session of the 13th CPC Central Committee, the state gradually delegated to enterprises the operation right; and at the same time adopted the enterprise contracted management responsibility system, thereby making a major readjustment in the relations of power and responsibility between enterprises and the state. After the decentralization of the

operation right, there was an appropriate separation of the two rights between enterprises and state, which was favorable to, and promoted the development of, commodity economy, and successfully met the complicated social demand that could not be solved by the unitary planned economy, so that the national economy as a whole was revitalized. After adopting the system of contracted responsibility, the duty of operations and the operation right were, to a certain extent, unified, which played an irreplaceable and significant role in safeguarding the fiscal revenue of the state under the existing system and conditions. Nevertheless, in the chain of relations of power, responsibility, and interests between enterprises and the state there was no major breakthrough in readjusting the most important link concerning people's immediate interests—the relations of distribution of interests, though there were changes in the form. By saying that the distribution right and the operation right were dislocated I mean that under the existing system, enterprises do not have the distribution right, though they enjoy the operation right and undertake the responsibility of operation; and that the enterprises' distribution right is still held by the state.

The state holds the enterprises' distribution right in its hands in two ways: The first being contracted operation; and the second being that the state controls the overall amount of wages of enterprises, and sets a uniform standard for the wages and allowances of enterprise workers. As the latter is easily understood, I shall analyze the former. Through contracted operation, the state offers enterprises contracting according to their tolerance level. Through this kind of contracting, the state distributes and readjusts the interests between enterprises and the state and among enterprises according to their tolerance level. In other words, the contract system realizes the distribution and readjustment of enterprise interests by the state in the form of distribution of enterprise duty. Under the condition that the operation right is decentralized, this kind of readjustment is more duty for more work, instead of more pay for more work; and it uses unequal duty to maintain a basic equality of distribution. This is just a manifestation of the attempt to "prevent the differentiation from being magnified, and to safeguard the principle of 'common prosperity.'" Obviously, under no circumstances does this kind of distribution manifest either the wishes of enterprises or the result of distribution of their own accord, which is a special way for the state to hold the right to distribute enterprise interests in its hands. Thus, we can see that in the existing system, it is beyond doubt that the state holds in its hands the right to distribute enterprise interests and the right to distribute workers' interests. These traditional relations of state distribution coexist with the new relations of independent enterprise operation since readjustment, so that there has emerged an overlapping of functions between enterprise operation and state distribution. For the sake of convenience in description, we will call it a dislocation of the distribution right and the operation right, or a system dislocation.

II. Structural Dislocation Is the Cause of Problems and Setbacks in Reform

Under the condition of independent operation by enterprises, if we uphold the practice of distribution by the state, not only will the relations of power, responsibility, and interests between enterprises and the state fail to play their role, but it will also be detrimental to public ownership. At present, almost all problems and setbacks in our reforms in state-owned enterprises are related to the system dislocation, though they are complicated. The disadvantages of structural dislocation are mainly manifested in the following three aspects:

First, distribution by the state suspends the role of readjustment by the law of value.

The law of value is the basic rule of commodity economy. After the decentralization of operation right, state-owned enterprises might independently produce commodities and carry out operations, and might create good conditions for giving full play to the role of readjustment by the law of value. However, on the one hand the effects of "flattening peaks and filling up valleys" by the practice of distribution by the state give backward enterprises compensations not found in the market, so that state-owned enterprises which are already in the commodity economy are free from the risk of competition; and on the other, the practice takes back from advanced enterprises what they gain from the market, thereby weakening the enterprises' capability for self-development. Thus, we can see that the role of readjustment by distribution by the state is contrary to the mechanism of decentralization of operation right, so that the role of readjustment by the law of value is terminated, the thriving rule of survival of the fittest is curbed, and the irrational structure of enterprises is strengthened.

Second, distribution by the state is the cause of the emergence of the practice of "everybody eating from the same big pot."

This kind of distribution lacks the incentive mechanism, and is mainly manifested by "eating" in three aspects. The first is "eating" the "superiority" of socialism. The compensation to backward enterprises does not come from the sky, but is an act of possessing without payment the result of work by workers of advanced enterprises. Since this is done through the state, it has become the support and allowance of the state to backward enterprises, which conceals the fact that backward enterprises possess the result of work by workers of advanced enterprises, and which turns such irrational occupation into a legitimate occupation, and even into a "superiority" of socialist public ownership, thereby eliminating the social and psychological pressure on backward enterprises for possessing the result of work by other people, and making these enterprises feel at ease in "eating" the "superiority" of socialism. This is a structural cause for the fact that some backward enterprises are always willing to remain backward. The second is "eating" into the "tolerance level of enterprises." As the state sets a

uniform standard for the wages of enterprise workers, that standard becomes a statutory yardstick for measuring the level of income earned by workers of state-owned enterprises; and it puts enterprise directors, particularly directors of enterprises with poor economic results, between two kinds of pressure: The first is economic pressure—to implement the state's standard, which enterprises feel is difficult to tolerate; and the second is pressure from workers—not to implement the state's standard, which is an "infringement" on the legitimate interests of workers, and which the enterprises feel is difficult to explain to workers. While the enterprises may pass on to somebody else the pressure from enterprise tolerance capacity, such is not the case for pressure from workers. This is because the wages and allowances distributed according to the state's standard may be listed as costs of production according to law, and be first "deducted" in the course of operations by enterprises. If this increases the expenditure of enterprises and affects their profits, the enterprises may use this to make their tolerance level drop so as to pass it back to the state through state distribution and readjustment, so that there is no real pressure on the directors. This is just the structural cause for some enterprises increasing the wages of their workers irrespective of their economic results, or even doing so by taking out loans. The third is "eating" into the length of service of workers. Though there are "soft conditions" and "hard conditions" for the state to readjust the standard of wages, the assessment and comparison of "soft conditions" (such as actual performance, the importance of contributions, and so forth) are rather complicated and difficult. Moreover, the enterprises may "eat" into their tolerance level, so that none of them want to create trouble for themselves. In other words, it will be difficult to solve the problem of workers eating from the "big pot" of enterprises before the problem of enterprises eating from the state's "big pot" is solved. Therefore, in real life, it is very difficult to implement the "soft conditions" as the standard. Thus, the "hard conditions," such as length of service, academic achievements, title, administrative duties, and so forth, become the actual yardstick for assessing the wages of workers, and have an important bearing on the immediate personal interests of workers. Facts show that this kind of orientation encourages many workers to one-sidedly devote their enthusiasm to the pursuit of length of service, academic achievements, titles, and administrative duties; rather than encouraging them to cautiously do well in their work. This is the structural cause for the fact that in comparing the enthusiasm of enterprise workers, "those owned by the whole people are inferior to those owned by collectives, and those owned by collectives are inferior to those run by individuals." Simply put, the "eating" of state distribution in three aspects plays a part in severing the flexible links between interests of enterprises and their operation status, between the responsibilities of directors and their power, and between the personal interests of workers and their quality and quantity of work; gives people an excuse to cherish the

traditional distribution method of the "big pot"; and makes it difficult for enterprises to create an incentive mechanism.

Third, the crucial point of enterprise operations and state distribution is that state's distribution right is restricted by the enterprises' operation right.

After the decentralization of operation right, state-owned enterprises engage in commodity production and business operations in the capacity of independent legal entities, and strive for their survival and development through competition. Under these circumstances, there are objective differences in the quality and quantity of operations by enterprises, so that there is neither any standard nor yardstick for assessment, which is naturally made only through comparison in the market. In other words, the subjective basis of state distribution is determined not by the state, but by the efforts, results, and wishes of the operators, such as the level of management skills of enterprise directors and managers, their enthusiasm, and so forth. These activities, which determine the operations of enterprises, that is, the basis of distribution, can only be the business of the operators, and cannot be replaced or determined by the state, no matter how much effort it makes. Thus, we can see that under the condition of decentralization of operation right, it is inevitable that the state's distribution right is restricted by enterprises' operation right.

The contract system does not mitigate the contradiction that the state's distribution right is restricted by enterprises' operation right. By the adoption of the contract system, the restrictive effect of enterprises' operation right becomes effective under two circumstances. First, in the course of signing contracts, enterprises restrict the state by reducing the base figure of the contracts. Negotiations conducted in the course of offers to and undertakings by contractors are the most lively example illustrating that enterprises' operation right restricts the state's distribution right. Second, in normal production and operation activities, enterprises use their operation right to restrict the state. Once contracts are signed, and after enterprises accomplish the delivery of contracted profits, the results of their operations (which generally exceed the contracted base by a large margin) are all legally owned by the enterprises. Then, only at this moment, the normal situation in the system of state distribution is changed under the cover of decision-making power, and there emerges a certain strange phenomenon of arbitrary distribution by enterprises—a distribution of state-owned assets, in addition to the results of operations by enterprises; and the operation right held by enterprises is turned into a distribution right, so that there is behavior of focusing on immediate interests, which it is difficult for the state to control. Furthermore, losses sustained by enterprises as a result of such behavior of focusing on immediate interests may be compensated for through readjustment by the state's distribution in the next round of contracting because the "tolerance capacity" has become low. Thus, we can see that the adoption of the contract system has not only

failed to solve the problem that the state's distribution right is restricted by enterprises' operation right, but has also helped enterprises deal with the state through the previous and the next rounds of contracting, so that the state loses its control over the distribution right. If we allow things to develop in this way, there will be formed a vicious cycle; and it will even be detrimental to the foundation of public ownership, and we will be found guilty of "eating up our past achievements and leaving nothing behind for later generations."

That the state's distribution right is restricted by enterprises' operation right is an obstinate malady of the system dislocation. Provided that there is the "dislocation," such a contradiction is found in all enterprises, irrespective of their size, quality, or economic results, or the level of ideological awareness of their workers, and no matter whether their behavior of focusing on immediate interests is commonly found or is waning; and the only difference in this respect is whether or not such a contradiction is used by different enterprises in different periods, or that the enterprises differ among themselves in the method, means, and extent of using this contradiction. Frankly speaking, most enterprises are able to conscientiously strengthen their internal control, and they do not use this contradiction to take advantage of the state; and they even try their best to plug the loophole caused by the "contradiction," and share woe with the state, thereby showing a high sense of responsibility as master of their own affairs. Nevertheless, this does not mean that the contradiction has been settled. When there are changes in people's thinking, concepts, environment, "climate" or leadership, this contradiction will still be used and be revealed. Thus, we can see that the fact that the state's distribution right is restricted by enterprises' operation right is an objective reality independent of man's will. Whenever the problem of system dislocation remains unsettled, this contradiction will always pose a threat to the healthy development of enterprises and even to that of society, undermine our reforms, and hamper the normal order of the national economy.

Under the circumstances that the state's distribution right is restricted by enterprises' operation right, state-owned assets are drained away because it is difficult to control them. While being drained away, state-owned assets are no longer restricted by the state's principle of distribution, so that they provide an economic basis for the development of unhealthy tendencies, and it is inevitable that there appear such phenomena as unequal distribution, "purchasing price being higher than selling price," and the emergence of some upstarts. In order to strengthen control over the behavior of enterprises engaging in independent operation, to check blind growth in consumption, and to promote development in enterprises, the state, while opening up and invigorating enterprises, has adopted various "corresponding measures" and strengthened external control. However, various control measures of the state have become ineffective because its distribution right is restricted by enterprises' operation right, so that there has emerged

the phenomenon that "when the upper level adopts a policy, the lower level comes up with a countermeasure." Therefore, it is difficult to tackle the growth in consumption, and sooner or later the situation of consumption will be out of control. When the state's "corresponding measures" are capable of controlling the situation, administrative intervention reaches such an extent that the decisionmaking power of enterprises in respect of operation is restricted, which is at the expense of ossification of enterprise management, so that we are still unable to break through the traditional pattern that "the situation becomes chaotic whenever it is decentralized, and becomes rigid whenever control is tightened." If we continue to maintain this system, and adopt more complicated corresponding measures to "perfect" the management mechanism, it is inevitable that the functions of the state will become more complicated, it will be more difficult to streamline organization, it will inevitably lead to more documents and meetings, and it will be more difficult to eliminate bureaucratism and corruption.

Simply put, the current difficulties in reforming the state-owned enterprises are caused by structural dislocation, rather than being the "inherent disadvantages of socialist public ownership"; and the way to deepen reform of state-owned enterprises rests with the solution of structural dislocation, rather than a continuous perfection of the contract system or the adoption of the share-holding system.

III. We Should Establish New Relations of Complete Separation of the Rights of Enterprises and the State by Making a Breakthrough in the Decentralization of the State's Distribution Right and in the Elimination of Structural Dislocation

A solution to improving reform of the state-owned enterprises is to eliminate the system dislocation, and there are two ways, with two different results, of eliminating the system dislocation: the first is to recall the enterprises' operation right, and to integrate the operation right with the state's distribution right, which is to take the road back—obviously, there is no way out if we choose this method; and the second is to decentralize the state's distribution right, and to integrate the distribution right with enterprises' operation right, which will further improve our reform—this is a brand-new assumption.

A significant purpose of the state holding the right to distribute interests to enterprises is to prevent differentiation from being magnified and to safeguard the principle of common prosperity. Obviously, to decentralize the state's distribution right and to fully adopt the practice of distribution according to work are a violation of this purpose and principle. Whether or not we can correctly understand and handle this contradiction is a precondition for the issue of whether or not we can make a significant step in decentralizing the state's distribution right.

"Common prosperity" and "distribution according to work" are the manifestation of the superiority of the socialist system, but they are closely related, have their order of sequence, and are mutually restrictive. To maintain the principle of "common prosperity" by means of distribution by the state is, in fact, to place "common prosperity" in the dominant position, to artificially narrow differences in distribution, and to restrict "distribution according to work." Consequently, enterprises lack sufficient labor, control over state-owned funds goes, and there is unequal distribution and the emergence of a few upstarts, which is the opposite direction from "common prosperity." If we place "distribution according to work" in the dominant position, really distribute according to work, and people are really paid according to their work, differences in distribution can only be an objective manifestation of the differences in quality and quantity between people's work. In the wake of development in education, improvement of the quality of the labor force, and the narrowing of differences, this kind of difference in distribution can only be minimized and will never be expanded. In other words, by placing "distribution according to work" in the dominant position, we may gradually realize "common prosperity" following the development of productive forces. Therefore, it is beyond doubt that it is necessary for us to decentralize the state's distribution right.

Decentralizing the state's distribution right is not a negative move. This measure is necessary for realizing, and may help us realize, the integration of distribution right with enterprises' operation right, as well as the integration of the interests of the owner (the state) with its right of ownership. It is simple to realize the former integration, as this can be done by decentralizing the distribution right. But this is not enough. This is because in the relations of power, responsibility, and interests between enterprises and the state, if no special measures are adopted, the assets owned by the whole people will undoubtedly be turned into assets owned by collectives or even by private individuals after the decentralization of the distribution right, which is currently the only right held by the state; and this is the opposite of the socialist direction, and acts against the basic interests of workers. Therefore, we must realize the latter integration. A way to realize it is to change the traditional relations of interest distribution between enterprises and the state into relations of "equal responsibility and power" in enterprises, that is, an enterprise may enjoy the right to operate state-owned assets in proportion to its share of responsibility to the state. The "responsibility" includes two aspects: First, ensuring that the value of state-owned assets does not depreciate; and second, a certain amount of financial delivery to the state (called "statutory delivery" for short) according to its quality and quantity of operation involving state-owned assets, as well as its situation regarding resources. Therefore, what can be independently distributed by enterprises is the balance after the necessary deduction according to law, rather than all the results of their operations. The state's share is only in proportion to the right of ownership, and is

first "deducted" in the course of operations in the form of discharging of responsibility by enterprises, thereby safeguarding the integration of the owner's interests with its right of ownership. After realizing the latter integration, the overall interests of the state will be free from the restriction of enterprises' operation right, which may eliminate the "chaotic" situation and realize independent operation and distribution by enterprises. Thus, we can see that to change the traditional relations of interest distribution between enterprises and the state into new relations of "equal responsibility and power" in enterprises not only safeguards the integration of distribution right with enterprises' operation right, that is, the integration of the operators' interests with their responsibility of operation, but also safeguards the integration of the owner's interests with its right of ownership. The special function of "equal responsibility and power" enables it to become the pillar, core, or key, or the outline for studying and solving the whole assumption of "decentralizing the distribution right."

Through a readjustment of the above relations, the relations between enterprises and the state will assume a new form that takes the "equal responsibility and power" of enterprises as the link, in which development in power, responsibility, and interests are made simultaneously, and in which they are correspondingly separated. By taking these relations as the foundation, there will be comprehensive and profound changes in the relations between enterprises and the state. First, as the state's financial interests are only linked to its ownership (and are separated from enterprise operation right), the degree of enthusiasm of the state in concerning itself with enterprises' financial status and interfering in enterprise operations will be gradually reduced; at the same time, provided that we earnestly and effectively do well in managing the two aspects of enterprise responsibility, we can eliminate the illusions and measures of enterprises regarding using various countermeasures to take advantage of the state, and we will really establish a mechanism of independent competition for state-owned enterprises, thereby promoting a full-scale development of commodity economy. Once reform of state organs is accomplished, and we have abolished such organs in charge of enterprises that lose their functions, the administrative factor that interferes in enterprises' independent operation will be gone forever, and so will the "grandmothers" of enterprises; and only then will the separation of the two rights between enterprises and the state be thoroughly accomplished and will enterprises really become legal entities without having an administrative body in charge of enterprises as their superior.

The prospects for decentralizing the state's distribution right are bright. Nevertheless, this is feasible only from an objective point of view. This is also the viewpoint analyzed in this article. To turn such a feasibility into reality is not an easy task; and there are many actual problems yet to be studied, a series of specific rules and measures yet to be worked out, and many difficulties and setbacks yet to be faced. First, the technology involved is

very difficult. For example, the assessment and examination of state-owned assets, the condition of resources, and the amount of currency in stock; the formation of "statutory rates of delivery" for different trades and different regions in different periods; the formulation of various corresponding measures, laws and clauses, and so forth, are a huge and complicated systems project that requires a considerable amount of effort. Second, it concerns the tolerance level of enterprises. At present, the economic results of state-owned enterprises vary greatly, the pricing system is yet to be rationalized, and the market is not yet fully developed. Under these circumstances, if we indiscriminately take "equal responsibility and power" as the standard, many enterprises will find no way out, and this will cause shocks in society. These are the issues that worry the people most. Therefore, in transforming the system, there must be an ample transition period; and, at the same time, we should work out reliable transitional steps and measures that are generally tolerable by enterprises, that can safeguard a stable and coordinated development in the national economy, and that may meet the standard by stages. Third, there is a wide conceptual gap. It is not easy for the people to accept the new concept of equality between enterprise responsibility and rights. Fourth, it is inevitable that we shall offend some people who have vested interests, and that they will resent it, and so forth. In other words, there are many actual problems, and the degree of resistance and difficulty will be very great. I hold that to solve these problems is precisely the basic task of the work of furthering reform of the state-owned enterprises. The day that we accomplish these tasks will be the day we give full play to the superiority of socialist public ownership.

Article Urges Improving Economic Performance

HK3101140892 Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 12, 5 Dec 91 pp 35-37

[Article by Zhang Shiying (1728 1102 5391); "Correctly Handle Five Relationships, Comprehensively Improve Economic Results"]

[Text] The core of all economic activities should be the improvement of economic results. The tasks evolving around the core include readjusting industrial structure and product mix, strengthening enterprise management, making technological renovation, increasing sales increasing inputs and outputs, and so on. In order to accomplish these tasks, a leader should acquire proper guiding ideology for economic affairs. He should be good at applying economic rules; and can stand on a strategic level to make overall planning and comprehensive arrangement. Today it is most important that we accurately assess and handle the five relationships.

I. Relationship Between Speed and Results

Generally speaking, production growth comes together with economic results. As long as the growth rate corresponds to the reality, it will produce good results.

However, it does not mean that speed and results are the same thing. Their relation does not always reflect a direct proportion, and high speed does not necessarily result in good results. Whether there should be a high or low growth rate depends on whether this is to the advantage of the social environment. Particularly, we have to consider whether there is a balance between total demand and total supply, if the product mix is rational, and what is the economic strength of the enterprise itself. The scale of economic results depends mainly on the levels of technology, management, and labor productivity. As long as production increase is accompanied by corresponding improvement of the standards of technology and management and in labor productivity, results will rise in the same pace with production. Otherwise, economic results will not be good even when the production growth rate increases. Naturally, the prerequisite of economic development is production growth, without a considerable growth rate, economic development will stagnate and we may as well forget making results. According to the analysis of the statistics and information over the last 10 years, industrial production is still under extensive management and the yearly increase of growth rate has been lower than 5 percent. This makes it difficult to increase profit tax. Therefore, we must maintain a suitable speed of production development. But, the growth speed has to be honest, not watered down, and it should be required that the products must meet social demands. At present we must pay attention to the problem of partiality. This is to say, some departments and enterprises, especially some leading comrades, tend to arbitrarily emphasize that "without speed means without results." They blindly chase after the growth rate, continue to tell tales, and strive for higher output value. Yet they forget about getting better economic results. Subsequently, production increases very fast but results go down instead of up. There are several reasons causing this phenomenon to happen. First this comes from the stimulation of the 10-Year Program and the Eighth Five-Year Plan; people always want to make a bigger step in economic construction. Second, we are still affected by the habit acquired from product economy and shortage economy. Third, we are guided by the realistic policy whose characteristics are quantitative increase and outward expansion. Of the three factors, the most influential one is guidance by realistic policy. Therefore, if we truly want to make increasing economic results the core of economic affairs, we must first adjust this policy guidance, set up and improve the stimulative mechanism and the restrictive mechanism that will improve economic results, and basically resolve the issue of impetus for raising economic results. Beginning this year, Hengshui Prefecture, Hebei, has worked out the plan to examine and evaluate major economic targets of industry. It has clarified the method to examine and evaluate 16 major indexes of economic results, such as the implementations of profit tax, fund tax rate, and sales tax rate, the decision on the number of days for the circulation of liquid funds, and the improvement rate of product quality control. The prefecture has also issued the "Rule To Encourage and

Award Enterprises To Produce Quality Goods" and "Rule To Encourage Enterprises To Accomplish Production Within Budget and To Change Money-Losing Production Into Profit-Making One." Economic results will be the standard for evaluating achievements or mistakes and for awarding good work and penalizing bad performances. In correspondence to the principle of economic results, the district disbands the "theory on the importance of elements"; it treats state-owned, collectively owned, privately owned, and township enterprises exactly the same. The enterprise that can manufacture the best quality goods, has the highest economic results, and make the most contribution, will be given preferential treatment in funds, energy, and material supplies, and will be given key support. This is to persuade enterprises to put raising economic results as their priority.

II. Relation Between Production and Circulation

The phenomenon of which some enterprise leaders, influenced by natural economy and product economy, still hold the belief of production being more important than circulation still prevails. This is usually exhibited in the following manners. Some enterprise leaders are not familiar with the concept of market. They do not study market or sale strategy, disregard the art of sales, and lack the ability to adapt to changes. Faced with market changes, they feel totally helpless. Some leaders ignore their duty to circulate commodities and neglect to build up their market. This occurs because they do not have a strong sense of commodity economy. To develop commodity economy, we must give commodity production and commodity circulation the same priority and we must consider the overall situation. Sometimes, to a considerable extent, giving more consideration to commodity circulation than to commodity production may become our number one mission in economic affairs. After having gone through the trial of sluggish market for almost two years, people gradually come to see how important circulation is to production. They now understand that if commodity circulation is neglected, if they do not study about circulation, there will not be normal economic growth. In order to deal with this situation, Hengshui has taken three steps. First, it improves the setup of specialty markets. The prefectural party committee and department office have decided that since several existing markets have been doing well this year, they will concentrate their energy to establish five big specialty markets: Hengshui garment market, Anping County silk screen market, Zaoqiang County fur market, Fucheng County old style lamp market, and Wuqiang County automobile and tractor spare part market. Second, the district strengthens its sales network. It increases the number of sales people and expands its sales team. At the same time the department office formulates eight rules to differentiate the right and wrong of sales activities, and implements nine steps to protect the legal rights of sales persons and to make them feel at ease. The department hopes the measures can stimulate initiates and expand sales network. Third, the

district encourages enterprises to explore new technology, make new products, create demands, and attract consumption. People's demands have the characteristics of being diversified, multifaceted, replaceable, and independent. These characteristics are displayed in various existing demands, and they also exist in many latent demands. An enterprise should be the one to lead new trend. This is why it should work on creating demands and dare to be new and different. Not only it has to be adapted to the market, it should also make the market go its way. For this reason, the department office takes measures to encourage inventors of new products, encourage enterprises to make products that have been in short supply, lacking, or rare, and encourage people to open up new roads and manufacture high quality goods.

III. Relation Between Scale and Results

The history of industrial development proves that at any specific time and under any technological condition, every industry is run on a rational economic scale. Only when we keep production within this scale can we guarantee the lowest unit production cost and have the best economic results. If the production does not reach the scale or if it goes beyond the scale, we will not get the highest results. The most eminent problem existing in the enterprise organizations and structures in Hangshui District today is that the sizes of its enterprises are too small, they are "small and all-inclusive" as well as "small and diversified." This has become the most serious factor negatively affecting economic efficiency. There is a complicated historical reason why these irrational enterprise organizations and structures come to exist. At present, even when a new project is initiated, problems such as the work may be too arbitrary, the production is not well controlled by the industrial policy, there is no focus, or there is too much opportunism still exist. The project is not done in an orderly fashion, everyone jumps at the same opportunity eagerly. Constructions are repetitive and investments scatter. One holds the other back, no one can become a large enough establishment, and the operation results of the enterprises are quite low.

In the last two years, having learned from the historical experience, Hangshui District decided to focus on the regional winery, Hangshui City Battery Factory, Gucheng County Steel Wire Factory, Fucheng County Machinery Factory, and Wuyi County Plowing Machine Factory, and proceeds with their technological renovations, expands their production scales, improves the standards of their crafts, and expands the amount of their wholesale business. Thus the district has created a group of backbone enterprises. Meanwhile the district also uses economic and administrative methods to promote the development of enterprise colonies and enterprise groups. Anping County uses the county silk screen factory as the headstart, groups together 78 small enterprises, set up a silk screen manufacturing group, and optimizes the essential elements for production. This group has achieved a breakthrough in technological improvement and brought growth to many other enterprises as well. During the last two years, 36 new products

have been created and manufactured, seven of them did not exist nationally before, 13 of them were not made in the province before, 14 of them have been given excellent recognition by the province and ministry, nine of them have been given awards above the provincial level and have been named by the State Council as the foundation enterprises for machinery export and the advanced units in foreign exchange-earning during the Seventh Five-Year Plan. This has opened up a wide path for the achievement of large-scale economic results.

IV. Relation Between Short-Term and Long-Term Results

We must pay attention to both short-term and long-term results. Basically speaking, short-term results should come after long-term results. If necessary, short-term results may have to be kept one or two steps behind, we need to sacrifice some short-term results for the sake of long-range economic development. This sounds simple, but in reality this is difficult to accomplish. At present, the short-term economic behavior of which enterprises are more apt to chase after visible results is more prevalent. For instance, enterprises tend to utilize their facilities to the extreme limit, consume their capital investments, and neglect repair work or equipment renovations. Their leaders tackle projects that are specially "short term, cheap, and fast." They are only interested in getting quick results and short-term results. They will never think of building up the basis, nor will they make plans for the long-term developments of the enterprises. They dissipate bonuses and gifts excessively, squandering the already limited amounts of enterprises' reserved funds. Because the enterprises are extremely short of funds, they have no more stamina for further developments. These enterprises neglect to provide job training and are unwilling to invest in intelligence. The more typical example is how rural enterprises disregard any overall planning. They take over the arable lands illegally and transfer pollution enterprises from the urban area to the rural area. These enterprises have considerably polluted the air, water resources, and land, and left behind some seriously potent problems for agricultural production and for the future generations. This is the result of improper handling of the relation between short-term and long-term results. Some enterprises rise up fast but also fall backward quickly. Some "outstanding enterprises" and some units who have paid large profit taxes are left with no strength by the disturbing effect of sluggish market and by "debt chains," they slip and join the team of money losing units. If this goes on, how can we increase economic results? How do we safeguard our long-term results?

To solve this problem, government offices of different ranking must first stop behaving in a short-term manner. Government's short-term behavior has a larger impact than the enterprises' and will create more adversities. While strengthening the training of cadres with purposeful education and stabilizing the leading team, Hangshui District helps the cadres who are of city, province, village, and town levels to formulate 10 year

planning, a five-year plan, and the goal to achieve these plans in several stages. "Becoming a government official means helping the people." The district fights for the actual benefits for the people and at the same time build up a solid foundation for the people to achieve prosperity. Second, we have to improve the enterprise's contract system and reinforce the control mechanism. At the second round of contract assignment, Hengshui Prefecture drafted a contract and management responsibility document, to improve the quota of contract and management responsibility and clarify the examination standards about increasing the value of fixed assets, keeping the equipment in good shape, and transforming technology. There is a specific rule for the enterprises to distribute their retained profits. The prefecture has also decided to exercise comprehensive supervision over the enterprises, restrict any short-term behavior, and increase their stamina for development. Third, before we initiate new projects we must conduct careful checking. We should avoid acting blindly, pay attention to integrating short-term and long-term goals, and focus more on projects that have great development future and vitality.

V. Relation Between Enterprises' Results and Social Results

Basically enterprises' results should be the same as social results. The enterprises, in the process of fighting for high results, create abundant material riches for the society; at the same time, enterprises continue to develop. However, there are times when conflicts appear between enterprises' results and social results. This happens because the state wants to look after the overall results and long-term results and therefore must implement macro economic control. Yet, because the enterprises prefer to look after self-interests, the state has difficulty implementing the rectification and reorganization policy and the industrial structure adjustment policy. Local interests contradict with overall interests. Also, some enterprises are involved in questionable styles of management habits and methods that are subsequently damaging to social results.

To solve these problems, it is vital that leaders of every ranking must establish a correct ideology of business operation. First, the concept of overall consideration should be reinforced. Enterprises' results should conscientiously be made secondary to social results. "Give up the rook to save the king." Take the situation as whole into consideration. We strive to safeguard the sustained, stable, and coordinated development of the overall economy. Second, we should pay attention to the overall effect. We are not content with just having "individually excellent" enterprises, we want the enterprises to make impacts and to be leaders. By adopting the methods of integration and merging and by establishing enterprise groups, we hope to diffuse technology, diffuse products, help and stimulate more enterprises to develop, and promote higher social results.

Article Views Managing State-Owned Assets

HK3101144392 Beijing JINGJI GUANLI /ECONOMIC MANAGEMENT/ in Chinese No 12, 5 Dec 91 pp 56-58

[Article by Dang Yu (8093 5148): "Concrete Ideas on Establishing New Structure for Managing State-Owned Assets"]

[Text] At present, under the system of financial responsibility from one level to another, the central and local governments simultaneously share control of the large and medium-sized state-owned enterprises. Consequently, this has created confusion in the ownership of state-owned assets and resulted in the following problems. First, too many departments are issuing orders. Not only the policy of delegating authority fails to rectify the defects resulted from the combination of government administration and enterprise management, it has in fact presented to the enterprises more "mothers-in-law" and made it more difficult for the enterprises to exercise their decisionmaking power. Second, the enterprises, under the charge of many departments and control by many levels, have problems keeping production, supply, and sales in line. Production process is cut into fragments. This does not help the enterprises formulate their internal control mechanism and adapt to planned commodity economy. Third, the ownership of state-owned assets becomes unclear. No one is responsible for the gains and value increases of state-owned assets. There are substantial losses of state-owned assets. Fourth, because ownership is not clearly defined, there is no regularity in how the state government, local governments, enterprises, and individuals should distribute profits. The administrative departments can arbitrarily make the enterprises pay unjustified financial levies and fees. The basic figures for contracts are determined by the condition of local financial incomes and expenses, not by how the enterprises manage the state-owned assets that have been assigned to them. Subsequently, the enterprises cannot be awarded or penalized. Because they are not responsible for any results of their business operations, nor can they reap profits from any increases in asset values as the owners, they have no way of establishing any internally stimulative or restrictive mechanism. Fifth, under the present system of enterprise control, it is difficult to coordinate the interests between local governments and trade departments. As a result, there is no substantial progress in making structure adjustments and in establishing transregional and transprofessional enterprise groups. The problems stated above tell us that the present enterprise control system has become the obstacle severely preventing the enterprises from strengthening their vitality.

Under the condition of socialist planned commodity economy, the government should be able to oversee the large- and medium-sized state-owned enterprises by separating the administrative control and enterprise management and at the same time maintain a successful relation between the two. This relation is different from

the one under the old system when enterprise management is subordinate to administrative control. This is a relation of ownership. We separate ownership and management right, and at the same time preserve the restriction of ownership over management right. Meanwhile, we must differentiate ownership, there are ultimate ownership and corporate ownership. The state will keep its ultimate ownership of state-owned assets and will implement asset control over the enterprises. The enterprises should integrate corporate ownership with management right. Only then can the enterprises have true decision power in operations, along with the acquisition of the corporate ownership. This way, they can be truly responsible for their losses and gains, and the independent status of commodity producers and managers can be established. Therefore, it is eminent that we implement reform of the system controlling state-owned assets, set up a state-owned asset control system that will correspond to the socialist planned commodity economy, and improve the management and operation efficiency of state-owned assets. At present, we should start to work in the follow areas.

1. We should set up separate levels of state-owned assets control system. First, we must separate general administrative control function of government departments and the function of the owners of state-owned assets, and establish state-owned assets control organizations at different levels. These organizations act as the general representatives of the owners of the state-owned assets and can exercise their ultimate rights as the ultimate owners of the state-owned assets. Second, we divide the ownership of the large- and medium-sized state-owned enterprises into four categories, central, provincial, city, and county, or into three categories, central, provincial, and city, in accordance with the characteristics of the products, the sources of investments, and the condition of directive planning. The state-owned assets control organization may exercise its ultimate ownership rights over the state assets of the enterprises that is ranked under the same categories as the organization. These rights include the right to handle the overall assets, the right to assign or dismiss the general manager, and the right to examine financial affairs and business achievements. The function of the state-owned asset control organizations is asset control, not material control. In fact, under the present system of financial contract responsibility from one level to another, the departments or districts have in fact become the owners' representatives of the state-owned enterprises. However, this creates the confusing situation in which several government offices simultaneously represent the state and share control, hence, ownership is not clearly defined. The purpose of establishing the system of state-owned asset control at different levels is to have a clearer definition of state-owned asset ownership, and this is to make it easier to define the responsibilities, rights, and interests throughout the process of state-owned asset control.

2. We should set up companies for the management of state-owned assets. This type of state-owned asset management companies can also be companies of enterprise

groups. The state-owned asset control department can entrust or authorize these management companies to manage the state-owned assets of the enterprises under the department. Gradually these companies may turn into major stock holding companies or stock holder companies. State-owned asset management companies are managers of state-owned assets. They are entitled to exercise the rights of corporate ownership. And they can combine the corporate ownership rights and the management rights. This means that they have the complete management rights and they become the economic substances with total decision making power in operations and management and responsibility for gains and losses. The state-owned asset management company has the right to occupy, use, receive profits from, and handle the state-owned assets that are under the company's management. Essentially this means deciding the operation strategy and development plan for the enterprises belonging to the company, setting the prices of products manufactured by the enterprise groups and the cost of labor, examine and approve the budget and accounts of the subsidiary enterprises each fiscal year, deciding on how to distribute the profits made by the group company and the subsidiary enterprises, devising the labor wage scheme, and on the basis of ownership right making decision of asset distribution which includes merging, integrating, leading. The company is also entitled to have total decision making power in operations and management as stated in the Enterprise Law. We must clarify that: 1) These asset management companies are enterprises, their goal is to make profits and maximize asset increase. Their role is not to administer or control. 2) These companies must stay competitive instead of monopolistic. The government's role in administrative management should be separated from the role as a state asset owner. This will create the condition for the separation of government administration and enterprise operations. Once we separate the administration of state-owned assets and the operations of state-owned assets, we will be able to proceed further in the separation of government administration and enterprise management and in the separation of the two authorities.

3. As we implement different level managements of state-owned assets, we organize shareholding enterprise groups on the basis of public ownership system. The state-owned assets are accordingly administered by the central, provincial, city, and county governments. This has created the condition to set up shareholding enterprise groups with public ownership system as the basis. Today individual departments administering the state assets at central, provincial, or center-city levels, are the representatives of the state assets of their subsidiary enterprises. They may play the role of "shareholders" and organize shareholding enterprise groups on voluntary basis. Based on the proportion of shares, the state "shareholders" of the enterprise group form the board of trustees, and the chief executive of the group is selected by the board. The inner circle of the enterprise group can also recruit other legal entities or individual persons to become shareholders. By establishing a relationship

based on the rights of the shareholders, the groups will be able to set up internally supervisory and competitive mechanism. The state's development fund for an industry can be given in the form of government shares of the group company. This will expand the investment function of the group's inner circle. The relationship between the state-owned asset control department and the group company is an ownership relation. This is basically different from the old system in which the government exerts direct control over the enterprises and the enterprises are treated as the administrative subordinates. The group companies are responsible for safeguarding and increasing the asset values and for turning over the profits made from the assets. The relation among the members of the enterprises is an economic relation. Other member enterprises who are not from the inner circle have the status of legal entities. The group company is allowed to distribute profits only to the member enterprises and according to the proportion of their shares. The company cannot use administrative method to ask members to transfer people, money, or materials. The establishment of shareholding enterprise group can break through the profit blockade and provide a favorable chance for the adjustment of transregional, transdepartmental, and transprofessional industrial structure and for rational circulation of essential production elements.

4. Under the prerequisite of clarifying asset ownership, we set the boundary and the standard relation of profit distributions among the central government, local governments, enterprises, and individuals. The state should tax all enterprises (state-owned and nonstate-owned) according to a unified tax rate. Tax distribution between the central and local governments can follow the system of separate taxing. As for the state-owned asset control departments of all ranks, the amount of profits they collect from the state assets management companies should be in accordance with the amounts of state-owned shares and should follow the standard of average fund profit rate of the entire industry. Also, a progressive yearly increase rate can be set on the basis of the amount of profits collected. The state-owned asset control departments at every rank can turn over the profits through the same financial channel as before when the enterprises were administrative subordinates and use the profits collected to fulfill the financial contract responsibility. This is the best way to take care of everyone's interests and we can temporarily leave the present financial contract responsibility system alone. After the state-owned asset management company or the group company pays the state tax and turns over the profits, it can take out production and consumption funds from the residue profits according to the unified and standard ratio (set by the state-owned asset control bureau). If there are newly increased profits as the result of reproduction expansion and because the state asset management companies or group companies utilize the residue profits, the state may impose tax on the profits, but the state-owned asset control department cannot collect any more profits. This is to encourage the enterprises to have

more initiatives in using their own funds to expand production, and to maintain the ability of self-development and self-accumulation. The government should compare the fund profit rates of enterprises and the average fund profit rates of all industries and create three categories that will distinguish the industries with a lower-than, equal-to, or higher-than average fund profit rate, and on this basis formulate an average income standard of enterprise staff. Furthermore, there should be an upper limit, the amount of income exceeding the upper limit will be regulated by taxation. The distribution principle mentioned above must be established in the form of a law. This will promote the establishment of stimulative and restrictive mechanism within all the enterprises.

5. We should gradually establish a stock exchange of public shares in order to change the condition of solidified state-owned asset reserves. Once the state-owned assets are controlled at all levels, as the "shareholders" of the state-owned assets, different ranking state asset control departments may initiate compensation trading of state-owned assets with other state "shareholders." Since this kind of compensation trade has to be proceeded in the form of shares, it is necessary to set up a corresponding stock market. Compensation trading of state-owned assets can promote rational circulation of state-owned assets and maximize the restructuring of essential production elements. Subsequently, the adjustment of industrial structure will become feasible, and not just a slogan. The trading of state asset stock in a stock exchange and the information of the rise and fall of the stock prices can help the state-owned enterprises promptly regulate their product mix. This will greatly improve the usage of the means of production and create a better distribution of resources. In order to ensure the share trading is done among the public "shareholders," the government needs administrative device to regulate the share traders and the stock exchange.

Analysis of Problem of Stockpiled Products

HK2101060492 Beijing JINGJI RIBAO
in Chinese 28 Dec 91 p 3

[Article by Lin Zhaomo (2651 0340 2606), Wang Dacheng (3769 1129 2052), Ma Kang (7456 2123), and Wen Haiping (2429 3189 1627). "Analysis of the Situation of Funds Locked Up in Industrial Finished Products"]

[Text] First, Situation of Fund Holdup Caused by Industrial Finished Products

Excessive funds being locked up by finished products is a long-standing problem that has not been effectively solved in our country's industrial production. Up to May this year, the amount of funds held up by finished products reached 209.4 billion yuan. Concrete analysis of the fund holdup caused by industrial finished products in the last few years shows the following characteristics.

First, products were stockpiled while being produced, and the stockpiled products were increased by a rate higher than the growth rate of production. In 1989 and 1990, the average annual growth rate of industrial production in our country was 8.1 percent, but the amount of funds locked up by stockpiled products increased by an average annual rate of 44.1 percent. According to statistics, before 1989, the salable rate of industrial products in our country was kept around 98.5 percent every year, but the rate fell to 97 percent in 1990, while the ratio of accumulated stockpiled products to new products in the same year rose from 8.4 percent to 14 percent. Ours is a developing country. In general, supply growth always lags behind demand growth. The "overproduction" phenomenon reflected by the above figures only show that there was incongruity between the production structure and the consumption structure and that part of the supply was ineffective.

Second, not only consumer goods but also producer goods were stockpiled, not only in industrial areas but also in ordinary areas, products were stockpiled, large amounts of funds were held up by stockpiled products in a wide scope, and things were particularly serious in some industries and localities. Up to the end of May this year, the value of stockpiled products in industrial enterprises at and above the county level reached 209.4 billion yuan, or increased by 34.6 billion yuan or 19.6 percent above the level in the same period of last year. The value of stockpiled light industrial goods reached 112.3 billion yuan, accounting for 53.6 percent, while the value of stockpiled heavy industrial products reached 97.1 billion yuan, accounting for 46.4 percent.

Third, the excessive fund buildup caused by stockpiled products was also entangled with chain debt defaults, thus forming a vicious cycle. In the last two years, industrial production was bogged down in stagnancy or low-speed recovery. Product stockpiling and chain debt defaults became causative of each other, and went from bad to worse. The more products were stockpiled in an enterprise, the more difficult for the enterprise to repay loans and to buy other enterprises' products. At the same time, the diminishing financial means available to the enterprise to repay debts and buy goods just aggravated the condition of product stockpiling and worsened debt relations. Up to the end of June this year, the value of stockpiled products in industrial enterprises included in the state budget reached as high as 130.6 billion yuan, while the normal figure should be some 70 billion yuan. On the other hand, the amount of all sorts of credit, including receivable bills and goods sold on credit, reached 219.3 billion yuan, or 100 billion yuan more than the normal figure.

Second, Analysis of Reasons for the Sharp Increase in the Amount of Funds Locked Up by Stockpiled Products

In our view, the fundamental reason why an increasing quantity of products was stockpiled and an increasing amount of funds was locked up by stockpiled products lies in the unreasonableness of the production structure

and product mix and in the incongruity between production and demand. In the last two years, contradictions suddenly intensified because of some special factors. First, due to the economic rectification and adjustment aimed at restraining the overheated economy, there was insufficient investment and consumption demand. Second, while the market was slack, commercial and material distribution institutions tried to play down their role as a "reservoir" by reducing the goods kept in stock, and the reserve of commodities (products) was shifted from circulation institutions to production institutions, or "from the warehouses to the workshops."

1. Product stockpiling caused by the insufficiency of investment and consumption demand. The economic rectification and adjustment beginning in the fourth quarter of 1988 followed the "double retrenchment" policy by cutting down on credit and appropriation, and the growth rate of industrial production did from 20.7 percent in 1988 to 8.5 percent in 1989. The growth rate of investment in fixed assets also fell from 17.3 percent to 9.2 percent, and the growth rate of retail sales fell from 27.8 percent to 7.6 percent. In 1990 and 1991, although economic rectification and adjustment continued, the policy was changed from comprehensively restraining production and investment to only restraining investment but supporting production, as industrial production decreased or remained stagnant for 10 consecutive months. In 1990, the total amount of investment in fixed assets in the whole society was 444.9 billion yuan, or still 4.6 billion yuan less than that in 1988. If the price increase factor is included, the decrease was even greater. However, industrial production increased by 16.7 percent (calculated according to comparable prices). As production and supply grew faster than investment demand, the gap gave rise to an increasing quantity of products being stockpiled.

In recent years, apart from the shortage of investment demand, there was an obvious shortage of consumption demand. This was directly related to two factors. Namely, increases in people's income was slowing down, and the consumption of residents was relatively saturated.

In short, the three-year economic rectification and adjustment has basically restored the balance between gross supply and demand in society, but the supply structure has not changed in light of changes in the demand structure, and this gave rise to many products being stockpiled.

2. Changes in the sales system made contradictions between industry and commerce more salient, and this also aggravated product stockpiling. Before reform, industrial departments only took care of production and did not care about marketing, as their products were all purchased and then sold by commercial and material distribution departments. This system made industrial departments only care about production and pay no attention to actual needs. After the circulation system was reformed, industrial departments could also sell

their products on their own, while commercial and material distribution departments could selectively purchase marketable industrial products. As the economy was overheated a few years ago and demand was swelling, many products were in short supply, and industrial and commercial departments vied with each other in purchasing goods in short supply. Industrial departments had superiority because they could hold their products in their own hands, and the interests of the commercial departments were affected. In the last two years, as many products did not sell well, the contradiction between industrial and commercial departments in the field of marketing goods became sharper. Proceeding from their own economic interests, commercial and material distribution departments only selectively purchased marketable goods, as they had the right to decide what they would and would not buy. On the other hand, the factories still continued to produce products which did not sell. This gave rise to an increasing quantity of stockpile products, and places for storing these stockpiled products and funds for keeping them were shifted from commercial and material distribution departments to factories.

3. The production of unmarketable products caused additional stockpiling. Unmarketable products constitute the most important reason for the stockpiling of industrial products at present, and such products account for nearly one-half of all stockpiled products. The products were unmarketable mainly because their quality was poor, or their variety was not rich enough, or the timing of their supply was not right, or their prices were unreasonable. In each sample survey conducted by the State Bureau of Technology Supervision, only 75 percent of the products were up to quality standard, and about one-quarter of the products were not up to standard.

4. The surplus production capacity of some products also caused additional stockpiling. This was particularly obvious in the case of textile goods. In 1984, cotton output in our country was 6.258 million tons, which marked an all-time high. In 1985, various localities built cotton mills on various scales. As a result, the number of spindles increased sharply from 23.24 million in 1983 to 38.82 million in 1990, or increased by 67 percent. Because there were too many spinning machines, cotton became in short supply. Many cotton mills, especially large and medium state-owned ones, were operating under capacity. Even so, the output of cotton yarn already exceeded market needs. It is estimated that present production capacity in the textile industry exceeds the actual need by some 10 million spindles. Similar problems also exists in other fields. Recently, the State Statistical Bureau analyzed the production capacity of 19 products and found that utilization rates (namely, the ratio of output to capacity) in 1990 were all lower than 80 percent.

5. Price adjustments affected the product sales. In recent years, the state adjusted several times the prices of some production materials and farm products which were

used as industrial raw materials. Because prices of raw materials were raised, manufacturers had increases in production costs, which made it more difficult to sell their products. On the other hand, as commercial and material distribution departments found it harder to sell goods in stock, they also reduced purchases of additional goods from industrial departments.

In short, the increasing amount of funds locked up by stockpiled industrial products was not an isolated phenomenon, instead, it gave expression to various contradictions and problems in our country's economic life. It was not only attributed to various factors left over from the past, but was also related to imperfections in the economic structural reform of the present. This was not only a problem in the industrial enterprises, but also in the external economic environment. Therefore, in order to solve this problem, it is necessary to adopt some comprehensive measures in the course of in-depth and well-coordinated reform.

Third. Policy Proposals for Overcoming the Excessive Fund Holdup by Finished Products

Excessive product stockpiling is a bad thing, but it can also be turned into a good thing. All of us have always been worried by unreasonable production, product, and enterprise organizational structures in our country. At the same time we are also always looking forward to a relaxed economic environment in which supply is slightly greater than demand, so that a fundamental structural adjustment can be made. We should say that the opportune moment has come. We should not miss this good opportunity and should resolutely grasp it to optimize the structure and establish favorable mechanisms. We should boldly advance the work of rationalizing the price structure and deal with other difficult points in reform. Thus, we shall not only fundamentally reduce and overcome the problems of product stockpiling, but also make a great leap forward in reform and economic development. On the contrary, if we fail to correctly assess the current situation and merely try to reduce stockpiled products, then we may lose a valuable opportunity for furthering reform and optimizing the structure. Then we may still be worried by the overheated economy and the short supply of energy and raw materials in one period, and by the economic decline and product stockpiling in another period. Therefore, we set forth the following policy proposals.

First, formulating a feasible plan for adjusting the economic structure as soon as possible. The formulation of a special plan for adjusting the economic structure does not mean replacing the Eighth Five-Year Plan, instead, it will just add more details to the requirement for structural adjustment in it. The plan should give prominence to basic and high-tech industries. Only thus can we guarantee sufficient momentum for our national economy's sustained development and also guarantee high quality. In general, the processing industry should be resolutely restrained. However, it is also necessary to

prevent one-sidedness in either reinforcing some industries or restraining others. For example, when stressing the need to strengthening the energy industry, we cannot merely increase electricity generating equipment, but should also pay attention to the coordinated development of coal, electricity, and transport. When restraining the machine-building industry, we cannot stop developing any machinery, but should continue to increase and guarantee investment in developing major equipment that has a bearing on the overall economic situation. Otherwise, technological levels of various sections in the national economy may decline because of the backwardness of the machine-building industry. The plan for adjusting the economic structure should not just be accommodated to current conditions; instead, it should set forth guidelines for adjusting and optimizing the structure and enhancing economic efficiency. Therefore, explicit objectives, concrete development schedules, and reliable guarantee measures should be set forth in both macro- and microeconomic fields.

Second, giving priority to key construction projects and appropriately expanding demand. Capital construction is always the starter of economic development. This is because capital construction not only forms certain production capacity and provides the necessary material foundation and means for development, but also creates additional demand for industrial products, thus promoting and stimulating development of the iron and steel, machine-building, and building material industries. Interaction among these industries will promote overall economic growth. At the same time, some 40 percent of investment in capital construction will eventually be turned into consumption funds. Therefore, capital construction will also bring along and stimulate the production of consumer goods. At present, excessive product stockpiling reflects the insufficiency in social demand. So appropriately expanding investment is the most effective way to stimulate demand. According to the industrial structural adjustment plan, we cannot comprehensively increase investment in capital construction in all fields and can only strengthen investment in the key fields.

Third, conducting enterprise mergers and controlling production scales. At present, we should take the opportunity of reducing the quantity of stockpiled products to transform enterprises which should be closed down. According to our country's conditions, the best way to transform these enterprises is mergers. That is, problem enterprises should be merged into enterprises which are good in technology and management and which produce marketable products. Mergers can stop the production of unmarketable goods and can increase funds, raw materials, equipment, and the labor force for the production of marketable goods.

At the same time, enterprises which are not undergoing merger should also carry out internal adjustment. 1) The production of unmarketable products should be resolutely reduced, stopped, or shifted to the production of other goods. It must not be continued, thus increasing

product stockpiling. 2) In some enterprises, "three people's jobs are being done by five people." Such phenomenon must be changed. Workers should be trained in rotation so that their political, cultural, and technical quality can be raised and a foundation for producing high-quality products can be laid.

In short, we should boldly introduce competition mechanisms for boosting development of the good and stopping the existence of the bad. Some enterprises will be merged, and some supported, some production will be restrained, and some will be guaranteed. Only thus will production be able to suit consumption needs and achieve higher economic results.

Fourth, encouraging cooperation between industrial enterprises and commercial institutions and setting up a commodity reserve risk fund. The common objective of socialism and fundamental interests determine that industrial enterprises and commercial institutions belong to the same family. The independent economic accounting system in the commodity economy will inevitably prompt industrial and commercial enterprises to strive for basically equal social profits. Therefore, we should encourage cooperation between industrial and commercial enterprises, which should share profits and join hands in developing production and promote economic prosperity. On the other hand, we should make great effort to develop large enterprise groups which can properly coordinate the interests of both industrial and commercial enterprises and can better promote industrial-commercial combination. In order to solve the problem caused by the excessive commodity reserve, we may consider the establishment of a special risk fund, which is separate from the normal buying and selling activities of the commercial institutions and does not involve their working funds and affect their profits. The profit and loss derived from the increase or decrease in the excessive commodity reserve will be completely borne by the risk fund. Thus, commercial institutions can better play their role as a "reservoir."

Fifth, speeding up the pace of price reform. The stockpiling of a large quantity of products provides some favorable conditions for us to thoroughly adjust unreasonable price ratios between various commodities. Unreasonable price ratios are mainly reflected in the fact that the prices of agricultural and sideline products are lower than those of industrial products, and the prices of energy and raw materials are lower than those of manufactured goods. Carrying out price reform at an opportune moment will not only increase peasant income, expand sales of industrial goods, and thus reduce the stockpiling of industrial goods, but will also naturally raise the value of energy and raw materials, and make manufactured goods relatively cheaper and more marketable. More importantly, the rationalization of prices will promote the rationalization of the production structure. We hold that there may be some pain if substantial price reform is carried out now, but it will not cause major shocks in society and its long-term benefit is obvious.

QIUSHI on Dual Nature of Commodity Economy

HK2301010392 Beijing QIUSHI in Chinese
No 23, 1 Dec 91 pp 41-44

[Article by Feng Hesheng (7458 0678 3932) and Cui Yuchun (1508 3768 2304) of the China Agricultural Bank Panjin City Branch, Liaoning Province "Necessary To Pay Simultaneous Attention to Two Civilizations as Seen From Dual Nature of Commodity Economy"]

[Text] Everything has a dual nature. The commodity economy likewise plays a positive role in promoting the development of social productive forces as well as a negative role in inducing the idea that money is all-powerful and that profit comes before everything else. Correctly revealing the dual nature of the commodity economy will help enhance people's awareness of paying simultaneous attention to material progress and cultural and ideological progress under the commodity economy.

We must have a correct understanding of the meaning of commodity economy. Commodity economy is a form of economy under which production is carried out with exchange as its purpose. It is a historical category and related to a given stage in the development of production. In a socialist society, there are still two forms of public ownership of the means of production. Diverse economic sectors—like the individual economy, the private economy and foreign-invested enterprises, and enterprises under whole-people ownership—are operated in diverse ways. Thus, it is still necessary to develop the commodity economy in a socialist society. In a socialist society there are two types of commodity economy. One is the socialist commodity economy and the other is the nonsocialist commodity economy. The former, which constitutes the main form, is a planned commodity economy and essentially different from the capitalist commodity economy in terms of nature, substance, and purpose. Distinguishing hallmarks are that labor is no longer a commodity, the purpose of developing the commodity economy is to satisfy the people's growing material and cultural needs, and the state not only may but can make conscious use of the law of value on a society-wide scale. In short, as it is a commodity economy under the guidance of state plans, it is more conducive to giving fuller scope to the positive role of the commodity economy and fundamentally controlling its negative role and effects on political life.

Of course, we must also see that a commodity economy necessarily has principles that must be observed by all in its development. As we understand, there are three principles that must be observed by capitalist and socialist commodity economies alike. The first is the principle of making profits. All enterprises carry out production for the purpose of making profits. Thus, they try by all and every means to obtain maximum returns with the least investment. This profit-making principle has different manifestations under different forms of society. In a capitalist society, profit essentially refers to

the exploitation of workers' surplus labor by capitalists and the outcome is the increased wealth of capitalists. In a socialist society, profits made by the socialist commodity economy embody the unity of the interests of the state, the collective, and individual laborers. This is determined by socialist public ownership of the means of production. However, even so, unless efforts are made to intensify propaganda and education, the rational relationship between the interests of these three parties is likely to be reversed in practice and will become a means of working for the interests of a few. It is entirely possible for some enterprises to seek private gain at public expense and even to do things that will harm consumers for the sake of making money. The practice of passing off substandard products for good products and counterfeiting brand-name products are concrete examples. A small number of people may even use public office for private gain and line their pockets with public funds. The second is the principle of exchange at equal value. Although labor is no longer a commodity under the socialist commodity economy, this principle is still observed in all commodity exchanges. It is precisely this principle that spurs producers on in their efforts to reduce costs and increase productivity. However, it is also this principle which encourages people to develop the individualist idea that one should haggle over every ounce and fight for every inch of land. Some people may even interpret distribution according to work as work according to remuneration—more work for more pay, less work for less pay and no work when there is no pay. Some may even take advantage of other people's precarious positions and hit them when they are down. The sense of responsibility as master of the country is weakening. The third is the principle of competition. Only competition can expedite the replacement of older generations of products by new ones and promote the application of new technologies and the development of the productive forces. In a capitalist society, this principle is expressed as mutual cheating and big fish swallowing up little fish. Conditioned by policy requirements and other factors, these major drawbacks may be overcome in competition under socialist conditions. However, instances where people try to fight for raw materials, market share, and funds by fair means or foul still occur from time to time. Thus, cases where people cheat one another and pull the rug from under one another's feet are unavoidable and counteract the spirit of mutual cooperation and support that we advocate.

We can see clearly that the dual nature of the commodity economy is determined by the nature of this form of economy. Its dual nature exists in one and the same entity. It is a unity of opposites and an objective fact independent of man's subjective thinking. Under existing conditions in China, the nonsocialist commodity economy still exists. Although it is subject to socialist conditions to a certain extent, its inherent drawbacks are very obvious on the whole. China is still in the primary stage of the development of the commodity economy. In the process of transformation, contradictions and frictions are unavoidable. We will be

punished by the law governing this development if we do not understand these problems. The reform will have no future unless the commodity economy is developed. Is it possible then to give maximum scope to its positive role while minimizing its negative role? The key to the solution of this problem is that we must pay simultaneous attention to material progress and cultural and ideological progress. In particular, we must first step up cultural and ideological progress which was neglected in the past. This is a task of utmost importance facing us.

Bearing in mind the dual nature of the commodity economy, we must further enhance our understanding of the necessity and importance of stepping up cultural and ideological progress. There is no denying that under the impact of the "tide of commercialization," egotism, money worship, and selfishness are gradually expanding within given limits. To some, money has become the supreme goal. Some people even regard themselves as commodities, to be sold to the highest bidder. Like a treacherous trap, the temptation of money is causing people to become degenerate. Take the experience of the agricultural financial sector in Panjin City, Liaoning Province, for instance. In the five years since the founding of the Agricultural Bank, 25 cases have been prosecuted. Of these, 23 were economic cases, the sums involved amounting to over 600,000 yuan. A young cadre was full of vigor and ambition when he first started work. However, driven by the desire to enjoy life, he put his entire purpose in life on money. He slipped deeper and deeper into this trap and, in the end, abused his power and embezzled more than 60,000 yuan over three years by not entering loan repayments into the book, fraudulently withdrawing money from accounts, and other means. For this, he was sentenced to 14 years imprisonment. In society as a whole, not only young cadres courted ruin in their pursuit of money. Even veteran cadres and high-ranking cadres are not immune. The emergence of these problems compels us to see the negative role of the commodity economy. It also compels us to see that, due to our neglect of education during the past few years, problems which could have been avoided have cropped up and general problems have turned into serious problems. Thus, we must increase the sense of urgency about the need to step up cultural and ideological progress. Poverty is not another name for socialism and our times require that we develop the commodity economy. However, neither is money worship another name for socialism, and our times also call for the Lei Feng spirit. In our efforts to develop vigorously the commodity economy, we must attach special importance to propaganda and ideological education. We must publicize the principle of the unity of the interests of the state, the collective, and the individual. When implementing the principle of exchange at equal value, we must promote the spirit of selfless devotion and when encouraging competition, we must also energetically promote friendly support and sincere cooperation. In this way, we can resist and minimize the corrosive effects of the principle of commodity economy on some of our

cadres and ensure the healthy development of the commodity economy along the socialist track. The significance of stepping up cultural and ideological progress also lies in the fact that this is necessary for our adherence to the socialist road. In the decade and more since the Third Plenary Session, people's living standards have improved substantially due to the development of the commodity economy. The people should have been content. Why then did disturbance break out around the spring and summer of 1989? A major reason was mistakes in work but the gravest mistake had to do with education. Insisting on paying simultaneous attention to material progress and cultural and ideological progress is a scientific conclusion drawn from painful lessons. Our party members and cadres must have a sober understanding of this fact. The more we develop the commodity economy, the more necessary it is for us to step up cultural and ideological progress.

As we see it, it is necessary to conduct analysis on the neglect of cultural and ideological progress. During the past ten years and more, we have made considerable headway on the more tangible aspects of cultural and ideological progress, such as education, science and technology, culture, and birth control. The "weak" part is mainly our lack of attention to people's spiritual and moral development. Thus, to step up cultural and ideological progress, the most important task at this moment is to highlight the importance of spiritual and moral development. This means that we must strengthen ideological and political work, persist in conducting education in socialist basic theories among party members and cadres, and persist in arming people with Marxism-Leninism-Mao Zedong Thought. One of the reasons this work was neglected in the past was that some people thought spiritual and moral development was intangible and did not produce obvious results in spite of the great efforts put into it. Another reason was that when cultural and ideological progress was measured by the number of schools, theaters, flower beds, and other structures that were built, spiritual and moral development was neglected. It is true that the tangible aspects of cultural and ideological development constitute an indispensable material foundation for cultural and ideological progress, but they cannot totally take the place of education in the ideals, beliefs, sense of value, outlook on life, and other factors necessary for spiritual and moral development. We should strive to create good forms and methods for spiritual and moral development and work out the specific education aims. This way we will be able to properly launch our work. Only in this way will the masses of party members, cadres, and people continuously increase their ability to fight corruption, infiltration, and peaceful evolution, and further intensify cultural and ideological progress.

The tremendous force produced by socialist cultural and ideological progress is our unique superiority. The role played by spiritual strength in building up our revolutionary force from scratch is not to be underestimated. We must give full scope to this superiority and make a

success of today's work. The mainstay of our ownership structure is public ownership of the means of production. As reflected in the ideological realm, public ownership requires that we cultivate the concept of collectivism, take the road of common prosperity, and energetically promote the spirit of selfless devotion. Thus, we must—and have the necessary conditions—to do a still better job of promoting cultural and ideological development to advance the cause of socialist modernization. As Comrade Li Ruihuan pointed out: "First, we must see problems from the political perspective. If we see problems purely from an economic perspective, we will not be able to have a clear appraisal of many problems in China. Second, we must give full scope to the political superiority of our party and cannot simply resort to economic means. One needs to show some spirit. Only by seeing things from the political angle, arousing the spirit of the masses, and putting our feelings into proper perspective, will we be able to work out proper solutions."

True, the superiority of socialism over capitalism ultimately has to find expression in labor productivity and in economic strength. However, we cannot build socialism with Chinese characteristics by weakening cultural and ideological development and without effective cultural and ideological development, we cannot achieve material progress. Stepping up cultural and ideological progress means promoting material progress. This is what Comrade Mao Zedong meant by matter transforming into spirit and spirit transforming into matter.

Regrettably, when people talk about benefits, they mostly refer to economic benefits. Very few people take any notice of cultural and ideological benefits. Some go as far as to put forward the muddle-headed slogan of "cut political work by half and production will double." The truth is, cultural and ideological benefits are also noticeable. To say nothing about the tangible aspects of cultural and ideological development, such as education, which nurtures people, and science and technology, which are productive forces themselves. Even ideological and political work, as a means of strengthening spiritual and moral development, can benefit material progress in ways that can be assessed and measured. A single conversation, meeting, assessment, or commendation can ensure the completion of a task or the success of a cause. This is superficial and completely tangible. A specific kind of spirit fostered over time will demonstrate even greater might in work and economic construction. Our party's "Long March spirit" and "Yanan spirit" cultivated during the revolutionary years, and the "Daging spirit" and "Lei Feng spirit" cultivated in the cause of socialist construction, have greatly stimulated and roused the people in their hundreds of millions, spurring them on and enabling them to produce immense benefits in work and economic construction. Thus the benefits of cultural and ideological progress usually represent the blending of directness and indirectness, the intrinsic and the extrinsic, orderly progress and breakthrough, and

repetition and advance. They find expression through factors that are hard to measure, such as improvements in man's level of understanding, moral standards, and sense of responsibility in work. The fact that they are likely to be ignored and written off by people who are eager for quick success and instant benefits is obviously very harmful.

In this respect, we have had profound experiences in the last couple of years. Since the establishment of the new party group of the Agricultural Bank's Panjin Branch in June 1989, we have paid special attention to the principle of giving priority to ideological and political work and thoroughly rectified the tendency to neglect cultural and ideological progress in our work. On the basis of conscientiously rectifying our office's order and work-style, we carried out exchanges and downward transfers of cadres on three separate occasions and rejected 209 dependents of employees. We also uncovered and recalled loans based on the grounds of personal connections and, with this as the point of breakthrough, conscientiously and seriously rectified unhealthy practices in the trade. Through a variety of methods, we launched increasingly in-depth activities of emulating advanced models, such as Lei Feng, cultivated advanced models in the banking trade, and maintained a clear stand in commending the true, the good, and the beautiful and curbing fraudulent, evil, and ugly deeds. Launching activities to promote cultural and ideological progress has strengthened the fighting capacity of leading bodies at various levels. The enterprising spirit and enthusiasm of the staff and workers were transformed into work drive and this gave a powerful push to the launching and reform of vocational work. In July 1989, Panjin City was hit by severe drought. There was an urgent need for funds to fight the drought in the fields, and for breeding prawn, but our branch had a dire shortage of funds. The branch party group thus put forward the task of raising 40 million yuan within that quarter. With soaring political enthusiasm, all cadres, staff, and workers on the agricultural financial front pooled their wisdom and resources, tried all ways and means to increase income and reduce expenditure, and raised 60.09 million yuan in this exercise, succeeding in giving timely support to agricultural production. Over the past 22 months, our branch has registered a net increase of 224.02 million yuan in savings balance, equivalent to the total in the four and a half years since the founding of our branch. By the end of 1990, we had extended serialized service loans, amounting to 754.46 million yuan, to finance work before and during agricultural production. This accounted for 80.23 percent of all loans, 5.27 percentage points over 1988 and 31.34 percentage points over 1984 when the branch was first established. These loans effectively supported the development of agricultural production throughout the whole city and made great contributions to the opening up and development of a new Panjin. Meanwhile, our branch has also undergone fundamental changes. In 1990, we won 13 honorable titles, including that of Provincial Civilized Unit, Provincial Advanced Collective in

Learning from Lei Feng, and a National Advanced Collective among Agricultural Financial Units in Learning from "Erlan" [0059 5695]. In just over one year, we left our backward state behind and joined the ranks of the advanced.

Numerous facts prove that material progress and cultural and ideological progress complement each other. By developing the commodity economy and promoting material progress we will be able to provide more ample material conditions for cultural and ideological development. By stepping up cultural and ideological progress, we will not only be able to ensure that the commodity economy develops along the socialist track but will also be promoting material progress itself. Thus, we must consciously uphold the policy of paying simultaneous attention to material progress and cultural and ideological progress. At present, it is particularly important that we make a conscientious effort to promote cultural and ideological progress.

PROVINCIAL

Editorial on Solving Hubei's Practical Problems

92CE03104 Wuhan HUBEI RIBAO in Chinese
28 Dec 91 p 1

[Editorial: "Striving To Study and Solve Hubei's Practical Problems"]

[Text] The party Central Committee "Resolution on Further Enhancing Agricultural and Rural Work" passed by the Eighth Plenary Session of the 13th party Central Committee pools the wisdom of the people of the entire party and the entire nation and is a programmatic document guiding agricultural and rural work. In effecting the spirit of the Eighth Plenary, we must be adept at combining Central Committee policy with the actual local situation. In recent times, principal leading comrades of the provincial party committee inquired of the grass roots how to pursue the spirit of the Eighth Plenary Session to come up with a model unique to Hubei. Cadres throughout the province, especially leading cadres, wanted to deepen their understanding of the local situation based on a thorough understanding of the Central Committee spirit and, beginning with the actual situation, to formulate realistic measures to bring the spirit of the Eighth Plenary Session to bear on the actual situation.

In combining the implementation of the spirit of the Eighth Plenary Session with Hubei's actual situation, we must conduct a thorough dialectical analysis of the history and the present state of agricultural and rural work and strive to study and solve Hubei's practical problems. In the 1980s rural Hubei, like the whole nation, adhered to the spirit of seeking truth from facts. Doing what was suitable for the time and place in the rural area, they implemented the entire reform policy led by the system of contracted household responsibility

related to output, arousing the enthusiasm for production and the creativity of vast numbers of peasants. Agricultural production ascended to a new level. Especially in recent years, agriculture has had a succession of bumper harvests, providing a favorable basis for development of the entire province's economy and giving support to national development. Even faced with this year's disastrous flooding of a severity rarely seen, we still were able to maintain overall stable and normal development and to accomplish wonders never before seen in combatting disaster on our own and self-reliance. In a major disaster year we still reaped a bumper harvest and emerged with an exemplarily large bumper harvest snatched from disaster. Hubei's agricultural successes give ample evidence of the correctness of the party's rural policies since the Third Plenary Session of the 11th Central Committee and demonstrate that the responsibility system led by contracted household responsibility related to output fully conforms with increasing the vigor and exuberant vitality of the dual-level management system. While coming to a clear understanding of Hubei's excellent agricultural and rural situation, we must also take a clear-headed look at the rather weak material and technological base of Hubei's agriculture. The development of the rural economy and society is quite uneven and there still are quite a few rural issues that urgently need to be resolved. For example, how do we intensify rural reforms to inject new vitality into the household responsibility system and further develop the productive forces in rural society? How do we explore a way that both ensures steady increases in grain and cotton and broadens the overall development of enrichment through increased harvests? How do we strengthen the collective economy and increase the stamina of agricultural growth? How do we develop rural scientific education, especially professional technical education, and make agriculture flourish through scientific education and develop highly productive, highly efficient agriculture and promote overall progress in rural society? [These] are major issues for present and long-term development of Hubei's agricultural and rural undertakings. Leading cadres at every level must make rapid progress in their understanding of the provincial and the local situation, change their blurred vision and their understanding only external appearances and not the essence, and conscientiously study new situations and solve new problems and put forth real effort and work hard to combine the Central Committee spirit with local reality.

The Eighth Plenary Session proposed increased development of an agricultural social service system as a strategic measure to intensify rural reform and the development of rural productive forces in the 1990's. That has great significance for solving problems in decentralized household management, perfecting the dual-level combined centralized and decentralized management system, strengthening the collective economy, developing commodity production, making relations between the cadres and the masses closer, and increasing the concentrated power of the peasants. At the same time,

we can achieve results from operations of scale and eliminate discrepancies in business results between rural households produced by different quality and different conditions and create a system favorable to equitable distribution in society and getting rich together and we can accelerate rural specialization and division of labor and promote the development of third industries. Among the many problems facing Hubei's agriculture is the lack of a complete system of before, during, and after production service. After production service is especially lacking. The lack of service means and forces is a major obstacle inhibiting agricultural development. Some localities in Hubei in developing a social service system have experimented with setting up diversified, systematized services. Some have used regional services as a basis and county and township economic technology departments have taken the lead and have taken advantage of the state economic technology department's funds, equipment, technology, and talents to serve the rural economy. Some by combining various forms have made use of mutual advantages. Some operate forestry, aquatic products, and animal husbandry service companies, concentrating on service. Some have engaged in serial processing, production, and sales businesses led by processing, integrated science and technology, production, and business led by science and technology, or combined trade, industry, and agriculture led by foreign trade, equally sharing the benefits and bearing the burdens. Practice proves that multiple forms of service act to promote the development of productive forces. In a certain sense, services are exponential productive forces. So, we should encourage all the localities to bravely explore and innovate through practice. At the same time we should "strengthen the village level, improve the township level, and reinforce and perfect the county level," so that the dual-level combined centralized and decentralized management system can maintain its vigor and vitality.

To enhance this agricultural base, we must earnestly study and properly deal with the relationship between grain crops and other economic crops within the planting sector, the relationship between planting and forestry, animal husbandry, and fishing in the agricultural sector, and the relationship among first, second, and third industries in the rural economy, and beginning from the actual situation, take a correct path to increased production and increased yields. Hubei is an important grain production base. Grain production is one great advantage of Hubei. Because in recent years such situations as "difficulty in selling grain" have occurred, some localities and some comrades have considered grain production a "burden," and a few localities have even dropped grain to grasp money. We should see that the relationship between grain and other economic crops and the relationship with other industries and the development of the entire economy work to one another's advantage. Too much on the top or too much on the bottom is not normal. Dropping grain to grasp money can temporarily and partially enrich a few, but it will cause no end of trouble in the future. The key to the present "difficulty in

selling grain" is lagging circulation and a lag in the capability to convert to processing of agricultural byproducts. Thus, it is essential to promote high production, high quality, and high efficiency agriculture, and by disseminating and popularizing scientific and technological achievements as we ensure stable increases in grains, methodically expand the production of high quality products, and improve economic returns from producing grains. At the same time, we should forge new breakthroughs in converting grains to value added. Moreover, we should work hard to develop organic agriculture and developmental agriculture, putting forth great effort to develop third industries in order to aid overall development of the rural economy.

It is imperative that we increase peasant income, make the rural economy prosper, promote agricultural modernization and develop the national economy, and vigorously develop township and town enterprises. According to the requirements of the state 10-year plan, by 2000 the value of output of township and town industries is predicted to exceed 35 percent of the national gross value of output and 40 percent of the gross value of output of the nation's industries. China's path to urban development does not allow for rural bankruptcy to shape the cities, but uses development of township and town enterprises, the development of small market towns, and leaving the land, but not the countryside, to achieve rural modernization. Hubei's township and town enterprises are not developing rapidly. This is a glaring weak link, and we must face the problem squarely and give it very serious thought. We should conscientiously review our experience in developing township and town enterprises and, with an eye on the market, develop products with a high technological content and then in conjunction with enterprises and natural resources produce competitive products with high returns, and join natural resources and science and technology with the market. We should coordinate development of township and town enterprises with doing a good job of running state large and medium-sized enterprises, and not limit their [township and town enterprises'] development.

Using science and technology and education to make agriculture prosper is an important policy leading to new shifts in Chinese agricultural development. From the experiences of various localities, it appears that combining agriculture, science, and education is an effective way to use science and education to make agriculture prosper. If agricultural development is to change to depend on scientific and technological progress and improvement in the quality of workers, there is very much that needs to be done and the task will be extremely arduous. Party committees and governments at every level must come to grips with this issue that urgently needs to be solved and come up with an overall plan to reform and develop agriculture, science and technology, and education so that the three can be closely coordinated and, at the same time, adopt capable measures to accelerate the development of various types

of agricultural professional and scientific and technological education and make extensive use of various types of scientific and technical training, and perfect and develop combined agriculture, science, and education science and technology dissemination networks at the county, township and town levels and expand rural science and technology service teams combining specialists and part-time members and combining specialists with the masses, constantly improve the conversion rate and the area covered by scientific and technical achievements so that scientific and technical achievements can be converted to productive forces as quickly as possible and play an important part in the vigorous development of agriculture.

Inner Mongolian Foreign Trade Increases

OW1303085092 Beijing XINHUA in English
0807 GMT 13 Mar 92

[Text] Hohhot, March 13 (XINHUA)—Foreign trade in northern China's Inner Mongolia Autonomous Region increased steadily in the first two months of the year. The value of signed contracts more than doubled that of the same period last year.

More trade delegations went abroad, more contracts were signed and more economic and technological cooperation programs were approved during the two months than in the same period of last year, according to the local government.

Barter trade contracts signed with Mongolia, the Commonwealth of Independent States and some Eastern European countries came to 450 million Swiss francs.

So far, Inner Mongolia has established trade, economic and technological cooperation relations with more than 70 countries worldwide. The foreign trade volume totalled 350 million Swiss francs-worth in 1991, latest statistics show. There was an average increase in this sector of 88 percent from 1983 to 1990.

In addition, eight more border trading posts were opened, bringing the total to 10.

Guizhou Absorbs \$119.41 Million in Foreign Investment

HK1603054292 Guiyang Guizhou People's Radio Network in Mandarin 2300 GMT 8 Mar 92

[Text] This year has witnessed a further improvement in the province-wide investment environment, which is evidenced by a conspicuous increase in the number of foreign businessmen setting up enterprises and making investment in Guizhou.

By the end of last year, a total of 85 foreign-funded enterprises had been set up in Guizhou, involving an accumulated investment totalling \$119.41 million, of which \$42.56 million was absorbed by some 30 industrial and communications enterprises. (passage indistinct)

Of the 30 foreign-funded enterprises set up last year, more than 50 percent were export-oriented, hi-tech, and technologically transformed enterprises. Apart from Hong Kong, Macao, and Taiwan businessmen, foreign businessmen investing in our province also included those from four economically developed countries, namely, Japan, the United States, Switzerland, and Singapore. Each of the following four foreign-funded enterprises had absorbed an investment of more than \$5 million: the Youlong Packing Company Ltd., the Yuzou Wire Rope Company Ltd., the Chachu Chemical Fibre Company Ltd., and the Sida Mineral Product Company Ltd.

Last year, some 11 foreign-funded export-oriented enterprises across the province earned a total of \$5.67 million of foreign exchange through their export of electronic components, plastic products, machines, mold plates, mold materials, and so on.

Xinjiang Develops Trade With Neighboring Countries

HK0303025892 Beijing RENMIN RIBAO in Chinese
26 Feb 92 p 1

[By reporter Zeng Kun (2582 0981); "Xinjiang Vigorously Develops Trade With Neighboring Countries"]

[Text] Urumqi, 25 Feb (RENMIN RIBAO)—At the beginning of the Year of the Monkey, trade contacts between Xinjiang and foreign countries were frequent and a large number of contracts at all levels for economic relations, technology, and trade with foreign countries were concluded. A lively situation in opening to the outside world has emerged.

Three days before the Spring Festival, led by Mayor of Urumqi City Yusufu Aisha, a city economic investigation group visited the Republic of Kazakhstan and signed a "contract for the establishment of a Sino-Kazakh industrial and trade joint venture" with the republic. According to statistics, around the Spring Festival, dozens of similar Xinjiang groups visited places outside the country and the region. In January this year, Xinjiang International Economic Cooperation Company alone sent eight groups and some 60 workers, specialists, and technicians abroad to hold talks on economic relations and trade, and the company received over 10 visiting groups from foreign countries, signed nine contracts with Kazakhstan, Uzbekistan, and Kirghizia for building projects, cooperation in labor services, and export of complete sets of equipment, amounting to a total of 16.12 million Swiss francs, and signed four contracts for trade, amounting to a total of 5.25 million Swiss francs.

Xinjiang is the region with the longest land borders and the most neighboring countries in our country. It and its

neighboring countries supplement each other very much in the economic and trade aspect. This year, the autonomous region regards opening up wider at its land borders as a breakthrough point. From the end of last year to the present, the border trade between Xinjiang and countries in Central Asia has increased by a wide margin. Through Huoerguosi and Alashankou Ports, the region has exported some 40,000 metric tons of maize and approximately 140,000 head of livestock to Kazakhstan and Uzbekistan. Meanwhile, trade and exchanges between Xinjiang and its neighboring countries have appeared very lively and open.

Bank in Gansu Supports Local Housing Reform

OW/703/44792 Beijing XINHUA in English
1506 GMT 17 Mar 92

[Text] Lanzhou, March 17 (XINHUA)—Over the past few years the Gansu branch of the Construction Bank of China has taken an active part in providing loans to support local housing reform.

Since 1984 the branch has provided over 600 million yuan (about 110 million U.S. dollars) of loans to more than 80 real estate developing enterprises in the province. The enterprises have built marketable houses with a total floor space of 3.08 million sq m. [square meters]

So far, 18 real estate companies under this provincial branch alone have developed marketable houses of a floor space of 270,000 sq m since 1987.

The branch bank also takes in housing deposits and earnest money to raise house-building funds and help sell state-owned housing.

FINANCE, BANKING

State Financial Difficulties, Further Reform

92CE03/44 Beijing JINRONG SHIBAO in Chinese
29 Jan 92 p 2

[Article by Wang Baoqing (1769 1405 3237): "How Should We View Our Present Financial Difficulties? The Solution Is To Continue Reform"]

[Text] Editor's Note: Everyone can see the manifold achievements of economic reform. At the same time, the new situations brought about by the evolving economic system are bewildering, and there are many complex new problems. If we don't have a comprehensive view and a correct grasp of the situation, then they will certainly become an obstacle to our progress. Therefore, it appears especially important at this time to take a penetrating look at them from the outside to the inside, and analyze them to the foundation. This is our intention in inaugurating the "Economic Perspectives" column. We will be gratified if our readers, by making this new acquaintance, can find help in understanding the truth behind the key issues of present-day economic life.

Ever since reform and opening up, China's economy has developed quickly, and government revenue has increased to a certain degree. But as government spending steadily increases, the government's financial difficulties become more conspicuous every day.

Under circumstances where expenses and overspending at enterprises are increasing, profits are declining, and the government budget is in the red, loud cries are heard about the government's financial difficulties. How should we view the present financial difficulties?

Difficulties Really Do Exist

Current financial difficulties appear mainly in three areas. First, revenues do not meet expenses, and deficits continue to widen. Since the start of the Seventh Five-Year Plan, the imbalance between revenues and expenditures has worsened year by year. Except for 1985, when there was a small surplus, China's national government has had a deficit every year. During the Seventh Five-Year Plan period, government revenue grew a total of 70.6 percent, and government spending grew a total of 80.3 percent. The increase in spending exceeded the increase in revenue by almost 10 percentage points. Last year the government deficit passed the 10 billion yuan mark to reach 14 billion yuan. This year, because of serious natural disasters in some local areas, the actual deficit may surpass the budgeted amount. Second, the portion of government revenue that is borrowed has increased year by year. In 1985, domestic and foreign borrowing made up 4.8 percent of total government revenue, but in 1990 that proportion rose to 11.3 percent. Third, concealed budgetary pressure from extra-budget liabilities has increased. This mainly shows up in the form of unpaid bills for excess losses at enterprises that must be covered but have not been, as well as enterprise hidden losses.

Difficulties Can Be Overcome

To understand financial difficulties, we must look not only at whether the budgetary imbalance of the government itself is getting better or worse, but also at the direction in which the macro environment where finances exist is developing. At present, financial difficulties are not occurring in a situation of falling production and diminishing gross national product, but appear at the same time that the national economy continues to grow. Actually, the government deficit is still at a relatively low level compared to the Chinese gross national product. From 1981 to 1990 (excluding 1985), China's government deficit (excluding income from borrowing) always came to less than three percent of gross national product. Even if we consider enterprise subsidies that the government still must pay, and so forth, still that proportion is within normal bounds. Also, at present China's external debt burden is within the limit of safety. China's borrowing from abroad began in 1979 and was relatively concentrated in 1984 and 1985. Beginning last year we entered the peak period of repayment. From 1980 to 1990, the sum total of China's repayment of

foreign debts reached \$52 billion. When compared with its economic strength, China's external debt is not too great a problem. In the last few years, China's debt-service ratio (the proportion between annual payments of principal and interest and exports) has basically remained around 10 percent, lower than the internationally recognized danger level of 20 percent. The debt-export ratio (the ratio between the balance due on external debt and exports for a given year) is also basically controlled below the danger line of 100 percent. Last year, China's debt-service ratio for long and intermediate-term external debt was 8.5 percent, and the debt-export ratio was 89.3 percent. These situations make clear that, as long as we keep current proportions properly adjusted from a macro-economic standpoint, financial difficulties can be relieved.

Recent Financial Trends: Both Good News and Bad

Last year, there were relatively large changes in the financial situation. In the first half of the year, the situation with regard to the balance of government revenue and expenditures was relatively normal. Government revenues grew eight percent, and government spending grew 4.6 percent. Offsetting revenues by expenditures, there was a surplus of 3 billion yuan. In the second half of the year, there have been marked changes in government revenue and expenditure. Revenue growth has slowed, and growth in spending has accelerated. From July to October, government revenue grew 8.1 percent, and government spending grew 14.3 percent for a deficit of 4 billion yuan. Taking an overall view, the recent financial trends are mixed, including both favorable and unfavorable factors.

First, favorable factors include: 1. As the pace of growth in production quickens, and investment, consumption, and exports rise rapidly, growth in receipts from industrial and commercial taxes related to these activities will accelerate. 2. Subsidies covering losses by foreign trade enterprises is clearly improving, and the amount paid in subsidies is clearly diminishing. 3. Expenses for price subsidies are moderating. From January through October, price subsidies declined 12.3 percent relative to the same period last year.

On the other hand, unfavorable factors include: 1. There has been no basic change in the low economic efficiency at enterprises, thereby limiting increases in government revenue. From January to October, revenue from state enterprises income tax and state enterprises income regulatory tax declined 12 percent from the same period last year, and collective enterprises income tax declined 7.5 percent from the same period last year. 2. Administrative and debt-service costs are on a strong upward trend, and other expenditures can only be adjusted a little. From January to October, administration expenses grew 12.7 percent, greatly exceeding the three percent required by the budget. At the same time, because funds were tight, increases in spending for basic construction, aid to agriculture, etc., were lower than what the plan

called for. This makes clear that pressure on the government to spend will remain great in the balance of the year. 3. Natural disasters in 1991 caused the problem of imbalances among areas in revenues and expenditures to become even more conspicuous.

But overall, the present macro environment is favorable to ameliorating China's financial difficulties. From now on, if we can only apply ourselves to doing a good job of continuing reform and improving management, there can be a turn for the better in the financial situation, and we can achieve a high-quality balance between revenue and expenditures.

Solution Lies in Reform

From now on, the key point in our work is to continue reform and improve management. It should take shape concretely in: First, by relying on progress in science and technology, promote the development of production, cultivate and enlarge revenue sources, reasonably adjust the mix of financial support for agriculture, thoroughly stress and support research of agricultural science and technology, dissemination and application, and make support for technical transformation at existing enterprises a key item of work to be addressed. Second, we must improve financial management and oversight, seriously studying and solve the four problems of those who exceed their authority in granting tax exemptions, minimizing tax payments and holding back state revenue; fabricate false records, understate profits, claim false business expenses, and evade paying taxes and making other payments to the state, conceal personal income to escape taxation; and arbitrarily enlarge expenditures, raise spending standards, and issue bonuses, subsidies and gift incentives irresponsibly.

Jiangsu Opens International Financial Business

OW2802032192 Beijing XINHUA in English
0210 GMT 28 Feb 92

[Text] Beijing, February 28 (XINHUA)—Compared with the beginning of 1991, the total foreign exchange deposits and loans of Jiangsu Province's Agricultural Bank increased by 378 percent and 663 percent, respectively, at the end of last year.

Today's overseas edition of the **PEOPLE'S DAILY** reported that the bank has opened more than 100 overseas agency links and have established business relations with more than 20 countries and regions worldwide.

Following its international business agencies which opened in the cities of Suzhou, Wuxi, Changzhou, Nan-tong, and Nanjing, the province's Agricultural Bank opened international businesses in Zhenjiang and Yangzhou cities last year.

In tandem with the development of international business, Jiangsu's Agricultural Bank has granted more and

more foreign exchange loans to help rural enterprises improve their technical levels and to develop the export-oriented economy.

The Zhangjiagang Donglai socks plant had been suffering losses due to the low product quality and out-of-date designs. The plant did not have the capability of expanding its production.

Last year the province's Agricultural Bank loaned \$15,000 U.S. dollars to the plant to import sock-weaving machines and embroidering machines from Italy. As a result, the plant witnessed both improvement of product quality and economic efficiency.

MINERAL RESOURCES

Laws Eliminate Mineral Resources Disputes

HK2802093692 Beijing CHINA DAILY in English
28 Feb 92 p 1

[By staff reporter Xie Yicheng: "Law Sees Dramatic Drop in Mine Wars"]

[Text] Legal controls introduced six years ago over the country's mineral resources and mine operators have greatly eased the number of disputes in the industry, according to the Ministry of Geology and Mineral Resources.

The most successful product of the Law on Mineral Resources has been the settlement of 97 percent of longstanding disputes between state-run mines and local governments over defining the mining areas, said Ye Yuxun, a ministry of official.

The mines had registered with the ministry of its subsidiaries, and their legitimate mining rights had been guaranteed.

The Constitution stipulates that all mineral resources belong to the State, but clashes over exploitation rights were a constant issue between the central and grassroots governments, and between the State, collectives and individuals.

Shielded by county or city governments, township and household mining mushroomed since 1984, exacerbating the original tension.

A survey of state-run mines, conducted by the ministry in 1986 when the law came into force, found that 70 percent of them were hampered by illicit smaller pits, in which many local officials held private shares.

There were 400 mining "hotspots" nationwide at that time, including the Gannan Wolfram Mine in Jiangxi Province, Gejiu Tin Mine in Yunnan Province and the Xiaoqinling Gold Mine at the juncture of Henan and Shaanxi Provinces.

Ye Yuxun said "crazy digging" by rural people with crude equipment near key state mines not only destroyed

mineral resources and polluted the environment, but also triggered geological calamities or led to gang war among illegal miners.

The 1986 law defines the state as being responsible for unified planning, rational exploitation and comprehensive utilization of mineral resources.

To carry out the policy, the ministry's Mining Supervision Bureau launched a four-year move in 1987 to "rectify mining by townships and individuals."

As a result, 82 percent of the 240,000 mines of this type were granted exploitation licences while 85,000 dangerous or illegal pits were closed down, 12,000 hotspot disputes were resolved and 17,500 illicit cases were dealt with.

The move gave a boost to township and individual mining, which the law describes as "a necessary supplement to the State-run mining industry and a means for local people to prosper."

Over the 1986-90 period, the annual output of first-rate ore by township enterprises increased from 550 million tons to 780 million tons or one-third of the national mining, their annual output value grew from 12.8 billion yuan (\$2.4 billion) to 35.4 billion yuan (\$6.7 billion) or 25 percent of national mining, and their payroll rose from 5 million people to 7.5 million.

Ye said there were still clashes over exploitation rights in 31 state-run mines, which would take some time to resolve.

INDUSTRY

Article Views Situation of Auto Industry

HK2312145 "91 Hong Kong LIAOWANG OVERSEAS EDITION in Chinese No 50, 16 Dec 91 pp 5-6

[Article by Li Shiyi (2621 0013 5030): "China's Auto Industry Moves Off Bottom"]

[Text] This year, China's auto industry rebounded rapidly and ended its two-year recession. This also showed the sidelight of the three-year-long economic readjustment in China.

Fall, Rise in Past Year

In 1989 and 1990, the auto industry's production declined throughout the country. The products did not sell well, and an excessive quantity were stockpiled in warehouses. The economic results in various auto-making enterprises were poor. Both output and sales fell to the lowest point from an all-time high in 1988. Last year, the total output value produced by the entire auto industry was 46.8 billion yuan (according to 1990 constant price, as applies below), or a decrease of 4.49 percent from the previous year, some 509,000 vehicles were produced, an output decrease of 13.27 percent, taxes paid by the auto industry amounted to 4.278

billion yuan, or a decrease of 23 percent, and profits amounted 2.41 billion yuan, or a decrease of 34 percent. This was another difficult year following the production and sales decline in 1989. A large quantity of motor vehicles were stockpiled in warehouses and could not be sold. The manufacturers vied with each other to dump the products by lowering prices, giving rise to a trade war.

The nadir of production and sales appeared in the first quarter of last year. After that, production and sales began to rise slowly. According to statistics from the 24 major auto plants throughout the country, in the first quarter of 1990, 91,000 vehicles were produced and 85,000 vehicles were sold; in the fourth quarter of 1990, output increased to 124,000, and 148,000 vehicles were sold. Such a rebound tendency caused people in the industry to feel optimistic about this year's situation. At the National Auto Industry Work Conference in early 1991, Cai Shiging, new general manager of China National Automotive Industry Corporation (CNAIC), said: "According to an analysis of the situation in various aspects, the auto market this year will be somewhat better than last year." However, he also warned: "In general, the market will not change quickly. Therefore, we should still be ready to deal with difficulties, strive for better results, and properly arrange this year's production and marketing."

Beyond expectation, with the end of the three-year-long economic readjustment in China and the normal economic growth, the auto industry in the country took the lead in recovering from the recession. Its growth rate was higher than the national average of all industries. This year, the whole industry planned to produce 508,000 vehicles and half of the target had been fulfilled by the end of June. By the end of September, auto production had reached 521,000, a 40.9 percent increase over the same period last year. The growth rate of the auto industry during the first nine months of this year was much higher than the national industrial growth rate in the same period. A responsible official from the CNAIC Production Department said: After undergoing two years of decline and stagnation, this year, the auto industry is likely to exceed the record level of 640,000 vehicles recorded in 1988. When the production situation gets better, the marketing situation also improves. New products as well as stockpiled products can now be sold on the market.

Barometer of National Economic Tendency

A noteworthy fact is that the tendency in the auto market reflects the same tendency in the national economy and is particularly related to the speed of industrial development. In the fourth quarter of 1988, to restrain the overheated economic activities, the state tightened money supply and curbed the swelling demand. Economic readjustment had begun. In the following year, production and sales of automobiles throughout the whole country began to decline. All the 232 major auto manufacturing enterprises throughout the country

recorded lower sales and higher comparable production costs. The number of enterprises running in the red increased. The number of stockpiled vehicles increased by an average rate of 30,000 per month.

According to auto industry experts, such a situation was related to the harsh external environment caused by the state's retrenchment policy and the restraints over society's effective demand for vehicles. On the other hand, China's auto industry mainly produces trucks and this is obviously different from the auto industries in developed Western nations, which mainly produce sedans. Various types of trucks are closely related to industrial development and to the national economy.

Such relations also found sensitive expression in the production and marketing of sedans. In the second quarter of last year, the state relaxed control over institutional purchases and lowered the selling price of sedans, exempting buyers from some taxes and fees. This brought about the rapid recovery of the sedan market. The sales in the second and third quarters increased by 38.2 and 34.2 percent over the same periods in the previous year. In the fourth quarter, sedans were in short supply while the truck market continued to be sluggish.

According to a quantitative study by a relevant economic research institution, the monthly changes in the auto market almost showed the same trend as the monthly changes in industrial development. In general, every one percentage point change in total monthly industrial output value was accompanied by a corresponding change of 1.06 percentage point in the sales of cars. That is to say, whether there is boom in national industrial production is a factor directly affecting changes in the auto market. This point has been provided by actual economic life over the past three years. Since September last year, to prevent industrial production from declining too sharply, the state has adopted a series of measures guaranteeing normal economic growth and national industrial production has thus begun to grow month after month. In the same period, the national situation in the production and marketing of automobiles also quickly became better.

The relationship between the production and marketing of automobiles and the development of the national economy has also found expression in the circulation field. A study report points out that when the national volume of retail sales increases by 7 billion yuan, the quantity of demand for vehicles will correspondingly increase by 10,000. The retail market was sluggish last year and became normal this year. The total volume of retail sales in society is expected to increase by 12 percent. At the same time, the sales of cars in the whole country normalized and the growth rate also gradually accelerated.

All this caused experts to believe that the auto industry has become the barometer of the national economy.

Use Opportunity To Modernize Technology

The auto industry followed the ups and downs of the national economy on many occasions. This raised an urgent task for the auto industry. It must try to strengthen its adaptability as soon as possible.

This idea was supported by the state. During the Seventh Five-Year Plan (1986-1990), the whole industry invested 12 billion yuan, completed 130 key projects, and made use of \$460 million in foreign funds. The value of fixed assets in the whole industry increased to 28 billion yuan, and eight or nine enterprise groups and large companies were set up. An integrated auto industry mainly producing all types of trucks and having certain a manufacturing and developing capacity basically took shape. The economic strength of the auto industry as a whole was obviously increased and it became an important industrial branch of the national economy.

In recent years, the auto industry has quickened the pace of technological transformation by adopting new technology, new materials, and advanced equipment. Through introducing, digesting, and absorbing advanced foreign technology, it has improved the production structure and has quickened the process of modernization in production and research. At the same time, the imported technology has been quickly mastered and turned into domestic technology. This was particularly true in the case of sedan production. Each year, the rate of technological naturalization [guo chan hua 0948 3934 0553] was raised by 7 to 10 percentage points. The rate of technological naturalization in the production of Santana [2718 1044 6719] sedans in Shanghai reached 60 percent. This means that the production of each such sedan can save 9 percent of the foreign exchange expenditure (with the factor of price increases being deducted) and the foreign exchange expenditure can be reduced by \$2.5 million a year. This is of great importance for the rise of China's sedan industry.

Quality is the lifeblood of cars. The auto industry has made great efforts to improve product quality and has raised the trouble-free rate of new cars from 500 to 1,000 km in 1985 to 2,500 km at present. The trouble-free rate for sedans made with imported advanced technology has reached 10,000 km and attained world advanced level.

The stern economic environment has prompted China's auto industry to open both domestic and overseas markets. The number of township and town enterprises throughout the country has increased to over 18 million and their total industrial output value reached 700 billion yuan last year, accounting for 30 percent of the total national industrial output value. This new force in the national economy has high demand for light trucks. The automotive industrial corporation has organized some relevant factories to develop new products, transform old products, and increase the production of light trucks. The output of such trucks could reach 140,000

this year, 60 percent of which were sold to small enterprises and individuals engaged in transportation below the county level. The market in this aspect is still brisk.

This year, the auto industry as a whole earned \$97 million in foreign exchange through exports from January to September. It is expected that the yearly earnings may reach \$200 million, creating an all-time record.

In late October, CNAIC held a meeting in Tianjin to discuss next year's production and marketing situation. The meeting was full of optimism. Participants generally agreed that the next year's situation would be better than this year's. At least, both output and sales will not be lower than this year's level and sedans will be in short supply.

Through the auto industry's experience from bust to boom, people can easily find that China's industry and China's national economy will soon undergo major changes from adjustment to development.

SMALL-SCALE ENTERPRISES

Economic Importance of Township, Town Enterprises

92CE01224 *Beijing JINGJI RIBAO* in Chinese
11, 12, 13 Feb 92

[Article by Gao Yinuo (7359 0110 6179). "What Is the Meaning Township and Town Enterprises Breaking the 1 Trillion Yuan Mark?"]

[11 Feb 92 p 2]

[Text] On 8 January, Premier Li Peng made time on his completely full agenda to invite more than township and town entrepreneurs from all over the country for an informal discussion at Zhongnanhai during which township and town enterprises were evaluated as "an important force that cannot be ignored" in the country's overall national economy.

A reason for saying they cannot be ignored may be found in the gross output value of township and town enterprises having broken the 1 trillion yuan mark in 1991 to reach 1.1 trillion yuan. This 1.1 trillion yuan is just about the level attained in the economic development of the entire country in the early 1980's. The gross value of industrial output [GVIO] of 850 billion yuan that is part of it is equal to the whole country's GVIO 10 years ago, and amounts to one-third of the entire country's current GVIO.

Another reason for saying they cannot be ignored may also be found in the following comparisons. It took 31 years for China to go from a gross output value of 100 billion yuan in 1952 to 1.1 trillion yuan in 1983, but it took only a very short seven years for township and town enterprises to go from somewhat more than 100 billion yuan in 1984 to more than 1 trillion yuan in 1991.

Although this comparison contains price indices, statistical norms, calculation methods, and other factors that cannot be compared, we must still acknowledge that the impetus of township and town enterprise development be belittled.

Another reason for saying they cannot be ignored may also be found in the following. During the Seventh Five-Year Plan, the gross output value, the GVO, and the original value of fixed assets calculated in terms of comparable items increased at an annual 25, 27, and 25.7 percent respectively, while the gross output value of society nationwide showed a 31.9 percent net growth, the gross output value of rural society showed a net 66.4 percent increase, the GVO showed a 37.2 percent net increase, national tax revenues showed a net 30 percent increase, and rural per capita net income nationwide showed a 32 percent increase, all of this coming from township and town enterprises.

Another reason for saying they cannot be ignored may also be found in township and town enterprises realization of the "six synchronizations" in 1991: gross output value, industrial output value, sales income, tax revenues, profits, and export deliveries increased 18, 20, 16, 10, 6, and 25 percent respectively over 1990; these "six indicators increasing synchronously." This included a difference of only two percentage points between the increase in sales revenues and output value. Particularly noteworthy was a 7 percentage point increase in exports over gross output value. Export deliveries, which broke the 60 billion yuan mark, began to move in the direction of accounting for one-third of all exports. In addition, during 1991 township and town enterprises not only paid the state taxes amounting to 43 billion yuan for a 10 percent increase, but industry spent 9 billion yuan and 1.2 billion yuan, which was 18 percent and 10 percent more respectively than in 1990, to help agriculture and on various rural construction projects.

Another reason for saying they cannot be ignored may also be found in the constant increase in commodities provided society by township and town enterprises that include more than 40 different trades and have a bearing on virtually every realm of the national economy. They effectively supplied everything essential to the people's daily lives ranging from food, drink, clothing, things needed for amusement, and things used in daily life, none of which were lacking. These things were closely related to the daily life of 1.1 billion Chinese. One statistic shows that during the Seventh Five-Year Plan more than 48.3 percent of the products in the net 723.8 billion yuan increase in the output value of China's light industry came from township and town enterprises. Among the major ones were 90 percent of bricks and tiles, 80 percent of farm machines and tools, 80 percent of shoes and hats, and 60 percent of clothing. In addition were some little known "nationwide biggests": the biggest electric refrigerator factory in the country, the biggest electric fan factory in the country, the biggest silk printing and dyeing factory in the country, the biggest radiator factory in the country, and the biggest 75 cubic

meter electric stove in the country, all of which are in township and town enterprises.

The 1.1 trillion yuan figure is a mark of the quantitative scale of township and town enterprises, and it is also an important starting point for township and town enterprises to advance to a new "qualitative" stage. Simultaneous with the increased speed of development of township and town enterprises in recent years has been a marked acceleration of the scientific and technological pace of township and town enterprises, a steady rise in their technical component, greater added value, and the beginning of a new stage of steady development, perfection and improvement. In recent years, more than two-thirds of patented processes in the country have been purchased or used by township and town enterprises.

In short, during the past three years, pressures have turned into impetus, difficulties have changed into opportunities, and grassroots industries have struck root in the yellow soil, thereby demonstrating a stubborn vitality and amazing adaptability. They have successfully altered the industrial structure, the product mix, the investment structure, and the organizational structure. During the last half of 1990, for the first time statistical units used statistical specifications for "industrial enterprises at the township level and above" as statistical norms for industrial output value. It was in this same year that township and town enterprises topped for the first time the total profits of state-owned industrial enterprises within budget, and in the following year they crossed the 1 trillion yuan output value barrier in one fell swoop. Township and town enterprises have succeeded despite difficulties, have come to the fore once again, and have written an important page in improvement of the economic environment and rectification of the economic order, and in the intensification of reform.

"To have the desire to serve one's country, and to have the will to save it from a desperate situation." It was precisely when numerous township and town enterprises faced the greatest difficulties since their founding that township and town entrepreneur Chang Zongjin of Mouping in Shandong Province took to heart the saying, "to have the desire to serve one's country, and to have the will to save it from a desperate situation," conveying to ordinary people the heartfelt wishes of countless township and town entrepreneurs struggling in every way possible for the magnificent cause of rural industrialization. Today, they are taking great strides in the national and world economic arena.

More than 30 years ago, Comrade Mao Zedong predicted with great emotion that in the commune and brigade enterprises (the forerunners of the township and town enterprises), which were just then rising, lay glorious and magnificent hopes!

More than 30 years have past, and even though history has gone through various twists and turns, 12 years of reform and opening to the outside world cannot be

reversed. Township and town enterprises have written a brilliant chapter in a distinctively Chinese socialism during the might practice of reform and opening to the outside world! As General Secretary Jiang Zemin said: "Township and town enterprises are becoming more and more appealing."

[12 Feb 92 p 2]

[Text] "Unless the peasants are comfortably well-off, the people of the whole country cannot be comfortably well-off."

The significance and influence of this incisive and profound thesis contained in the *Decisions of the Eighth Plenary Session of the 13th party Central Committee* permeates the entire Chinese economic development and modernization process.

When China's reforms were just getting underway, the principal architect of China's reforms, Deng Xiaoping, said with great foresight: "The ability of China's economy to develop will depend, first of all, on the ability of rural villages to develop—whether the peasants' livelihood will get better."

That 900 million of China's population of 1.1 billion live in rural villages is basic to all else in China.

To say that there are many Chinese is actually to say that there are many peasants and that the population of rural villages is large. To say that China is poor is also to say mostly that the rural villages are poor. Poverty applies to the peasants who make up more than 80 percent of the population, and the greatest difficulties in the attainment of a comfortably well-off life lies in the rural villages.

The State Statistical Bureau reported that net per capita peasant income nationwide was approximately 710 yuan in 1991 (versus 1,570 yuan in cities and towns); thus, the size of the difficulties to be overcome in attaining a "comfortably well-off" state by the end of the present century goes without saying. Therefore, the key to realization of the second strategic objective lies in correct handling and proper solution of agricultural, rural, and peasant problems, realizing rural industrialization and the modernization of agriculture. The most important and the most effective means for solving this problem lies in township and town enterprises.

The *Decisions of the Eighth Plenary Session* stated solemnly: "Active development of township and town enterprises is the road that must be taken to make the rural economy flourish, to increase peasant income, and to advance the modernization of agriculture and development of the national economy."

How many township and town entrepreneurs, and how many comrades engaged in rural work and economic work, feel profoundly the importance of this formulation about "the four roads that must be taken," particularly

the fourth "road that must be taken"—the road that must be taken for development of the national economy—that is so important!

In reviewing the rural reforms that sprung up at the end of the 1970's on the good earth of China, it is the results gained in the reforms of the past 10-odd years that are universally acknowledged. These include two whose importance is greatest and whose influence is most far-reaching. One is the general spread, consolidation, and perfection of the output-related household responsibility system, the second is what Comrade Deng Xiaoping termed "the greatest completely unexpected harvest," namely the new force that suddenly came to the fore in the form of township and town enterprises.

The first reform brought to a close in a single stroke the history of many years of serious and enduring shortages of agricultural products to lay the first solid keystone for today's vibrant markets, flourishing buying and selling, and even economic, social, and political stability.

The second reform destroyed in a single stroke the historically shaped "bifurcated economic structure" of separation and forbidding barriers between cities and the countryside whereby "rural villages worked on agriculture and cities worked on industry." The industrialization of rural villages brought about a widespread flow and a regrouping of all production elements between cities and the countryside, and between one region and another. This resulted in a degree of contact between China's urban and rural economies that was never as close as it is today, a brand new pattern combining industry and agriculture, linking cities and the countryside, and the integrated development of cities and the countryside appearing on the good earth of the divine land of China.

Even though we successfully and preliminarily industrialized cities during the more than 30 years before reform, and were able to change the ratio between the output value of industry and agriculture from the 3.7 of the period immediately following founding of the people's republic to 7.3 nevertheless, because of the hindrances of the barriers that separated cities and the countryside, the labor employment structure—which should have changed with industrialization—remained throughout at the 2.8 ratio between industry and agriculture of the period immediately following founding of the people's republic. Although China's population doubled, 80 percent of it continued to go round and round in primary industries. The first requirement for growth of nonagricultural industries is a reduction of the population directly engaged in food production and in agriculture, enabling it to get away from the land and get away from mother nature. The teachings of the founders of scientific socialism more than 100 years ago brought this law to light. However, China's special circumstances dictate that China's transition from an agricultural to an industrial nation will have to be realized in a distinctively Chinese manner.

Fulfillment of this mission was achieved through a great creation of China's peasants—township and town enterprises. It was the development of township and town enterprises that transferred nearly 100 million rural workers from the soil for the creation of a new type industrial army that brought about an unprecedented historical change in the meaning of "peasant." No longer were the peasants solely providers of agricultural products. The closed pattern that had endured for thousands of years in which rural villages were only places in which peasants labored on agriculture, and agriculture meant only the farming of grain was gone, never to return. This change in the peasants' role became the change attracting greatest attention to China's rural villages since reform and opening to the outside world.

It was the development of township and town enterprises that permitted development of a new rural economic pattern of all-around development of agriculture, industry, and business, and of construction, transportation, and services in which agriculture is the foundation, and township and town enterprises the main entity. This means primary reliance on peasants own capital formation and surplus rural labor for the development of rural industry and other nonagricultural endeavors, the linking of rural industrialization and urban industrialization bringing about the industrialization and modernization of the nation.

It was the development of township and town enterprises that permitted China to smash the shackles of the bifurcated structure. We did not take the same old disastrous road that some developed nations took in the past and the one that some developing countries are taking today of allowing the peasants to go bankrupt and enter the cities to inflate the urban population. Forecasts still call for a surplus rural work force of more than 150 million by the end of the present century after all agricultural production needs are satisfied. During the Seventh Five-Year Plan alone, township and town enterprises provided employment for 22 million surplus rural laborers. This was 57.6 percent of all people for whom jobs were found nationwide during the same period, and it accounted for one-half of the new additions to the rural work force during the same period. Figured at a required state expenditure of 20,000 yuan per staff member and worker placed in a job in a city, this amounts to more than 6 quadrillion yuan, which amounts to a huge saving for the state. Township and town enterprises found a real way of solving successfully the problems of "where to get the money (the construction funds), and where will the people (the rural work force) live" that have constantly bedeviled us throughout the modernization process.

It was development of township and town enterprises that produced a net per capita peasant income nationwide of approximately 700 yuan, 40 percent of which came from nonagricultural pursuits. In developed coastal regions, more than 80 percent of peasant income derived from township and town enterprises. The gap between eastern and western parts of China today is largely a rural gap, and the rural gap is actually mostly a

gap in the level and scale of development of township and town enterprises. In the western part of the country, the output value of township and town enterprises accounts for less than 3 percent of the gross output value of township and town enterprises nationwide. Given the current agricultural labor productivity rate and the "price scissors," which cannot be eliminated easily for the time being, the peasants would find the achievement of prosperity and a relatively well-off life impossible to obtain solely from the farming of slightly more than one mu of land per capita. Realization of the second strategic objective and another doubling of output value will require an increase in the labor productivity rate of the entire labor force, and a rise in the labor productivity rate will require development of secondary and tertiary industries. The development of secondary and tertiary industries will depend, in turn, on removal of the large amounts of surplus labor engaged in agriculture. Such a removal can be achieved in turn only through reliance on township and town enterprises. This chain leading to modernization is one in which every link is locked in place.

Numerous events in real economic life have aroused our attention. Rural villages inhabited by 900 million peasants have an extremely great effect on cities, and they also greatly limit development of the national economy. In recent years the increase in per capita peasant income has slowed or even declined; the gap between urban and rural residents' income, which narrowed for a time, has begun to widen again. Consequently, rural market sales, which make up 60 percent of all market sales, seem to have flagged. What happened to the flow of goods? Naturally the goods flowed to places having purchasing power and where purchasing power is high. The development of township and town enterprises to increase peasant income and raise rural purchasing power is a policy for effecting a permanent cure that puts the economy into a benign cycle.

Practice since the Third Plenary Session of the 11th party Central Committee shows that the development of township and town enterprises is entirely in keeping with the objective laws of economic and social development under the country's present circumstances, and it is completely in keeping with the fundamental interests of the broad masses of peasants and people throughout the nation. Not only do township and town enterprises make a major contribution to the improvement of the national economy's total strength and to a distinctively Chinese form of industrialization, but they also have a direct bearing on China's ability to industrialize and modernize. They are truly a road that must be taken to make the people prosperous and the nation strong!

Only by leaving the "bifurcation" [between city and countryside] is it possible to sprint toward a "comfortably well-off" life.

[13 Feb 92 p 2]

[Text] "State-owned large and medium size enterprises are the dominant entities in national industry, and

township and town industrial enterprises are the dominant entities among China's medium- and small-sized industries." This important assessment from General Secretary Jiang Zemin at the Eight Plenary Session marks a major turning point that has attracted attention.

If one were to say that past discussion of township and town enterprises was largely talk about their relationship to "agriculture" (and this point will continue to receive emphasis in the future), in the future more attention and study will have to be devoted to their relationship to "industry," which is to say the relationship of township and town enterprises to state-owned enterprises, and their relationship to the "main entities" of city and countryside. Some experts have figured out that at a 15 percent per year increase, by the end of the present century the output value of township and town enterprises as a percentage of national GNP, the gross output value of rural society, and the gross output value of national industry will become half that of the whole country.

In today's terms, the relationship of township and town enterprises to state-owned enterprises long ago ceased to be a purely theoretical inquiry. Instead it is a living reality that pervades economic activity. During the past 10 years or more of reform and opening to the outside world, township and town enterprises have demolished the pattern of bifurcation that divided cities from the countryside, and in the process of China's industrialization, they also shaped a brand new pattern between the two "entities" of me being in you, you being in me, mutual dependence, reciprocal markets, mutual support for mutual benefit, and joint development. Between the two, there is no relationship of "you die so I can live," but rather a close and inseparable, comrades-in-a-common-destiny relationship in which "I live because you live, and I will die if you die."

The facts have shown that the development of township and town enterprises have both expanded the markets of large- and medium-sized enterprises, and have supported and served large- and medium-sized state-owned enterprises, becoming an important front army for the invigoration of large- and medium-sized state-owned enterprises. A relationship in at least five regards exists between them at the present time. First is an industrial relationship; second is a product relationship; third is a market relationship; fourth is an enterprise relationship; and fifth is a capital, technology, and human talent relationship. Of the foregoing five relationships, the market relationship is the most important. The two are dependent on each other for markets. Just imagine, without the large customers that township and town enterprises are, to whom would state-owned machinery and electrical industries and numerous other firms sell their products? Were not the approximately 340 billion yuan in fixed assets that township and town enterprises now own largely purchased from state-owned enterprises? Not only do state-owned enterprises diffuse large quantities of products, parts, and certain industrial processes to township and town enterprises in the practice of

a specialized division of labor and cooperation in the production process, but the technology, the equipment, and the negotiated price energy, raw and processed materials, and machine tools that large- and medium-sized state-owned enterprises must dispose of in their evolution toward high technology are also mostly sold to township and town enterprises. Meanwhile, the energy (including the coal, which accounts for one-third of total national coal output), the raw and processed materials, and numerous intermediate products that township and town enterprises produce are also sold to state-owned enterprises.

In addition to the formation of an economic relationship in which "all prosper when one prospers, and all lose when one loses," of even greater importance is that in market competition between the two "entities" in the development of the planned commodity economy, they have formed a relationship of mutual competition and mutual prosperity. This mutual competition serves to promote a process whereby both parties remedy each other's deficiencies and jointly develop their operating mechanisms, technological progress, and scientific management, thereby giving extreme impetus to the intensification of reform and the transformation of their mechanism for a strengthening of the ability of both state-owned enterprises and township and town enterprises to compete in the marketplace. Thus, in an overall sense, they increase development of China's planned commodity economy. This is a source of enormous spiritual wealth that is more valuable than material wealth.

Understanding township and town enterprises positively cannot be limited to agriculture and rural villages. Looked at in terms of overall and long-range reform and development, and looked at in terms of magnificent practice in the building of a distinctively Chinese brand of socialism, we must place the development and inter-relationship of these two "main entities" at a higher level of cognition for diligent consideration and handling. These two industrial branches are well matched. They are both organized, coordinated, and directed by an industrial army of nearly 100 million people that enables them to bring into play their own individual capabilities and role in realizing the magnificent goal of modernization and the eradication of the "three great differences" [differences between town and country, between worker and peasant, and between mental and manual labor].

The crucial point in all this is that no longer is it possible to follow the old lines of thinking and the old methods of the former traditional system's undiversified planned economic pattern. Allowing matters to drift and standing aside passively with folded arms with regard to township and town enterprises, which are "medium and small industrial entities" whose output value already exceeds 1 trillion yuan, is not in the interests of the country and the people.

Numerous new problems have been placed on the daily agenda of economic work. In readjusting the industrial structure, for example, is the problem of how to get

state-owned enterprises to work on basic industries and high technology industries affecting the national economy and the people's standard of living such as energy, raw and processed materials, communications and transportation industries in order to increase as rapidly as possible the industrial and technical level of large- and medium-sized state-owned enterprises, leaving to township and town enterprises the processing of agricultural by-products and labor-intensive industries, which are suited to medium- and small-sized enterprises. This will allow somewhat greater space and leeway for the development of traditional industries so that cities and the countryside do not develop in separate directions, as well as invest without due consideration, duplicate construction, and compete at a low level. This requires that cities and rural areas plan readjustment of the industrial structure in an overall way.

Another example is that inasmuch as township and town enterprises account for one-third of all industry, proper investment in township and town enterprises is entirely necessary in order to speed up the pace of peasants' efforts to attain a comfortably well-off standard of living. This is an even more urgent matter for the central and western regions of the country, which have just begun, or have not yet begun, to develop township and town enterprises in order for them to make the most of the guiding role of credit funds. Not only will this bring new impetus to development of township and town enterprises, but it makes economic sense for the operation of the entire national economy. Statistics show that township and town enterprises paid 20 billion yuan in interest on loans to the national financial sector during 1991. This amounted to direct capital formation for the state. During the same period, however, township and town enterprises received only approximately 2.7 percent of the 285 billion yuan of credit newly issued throughout the country. This was the "leavings of the leavings." The Eighth Plenary Session "Decisions" clearly called for a "proper increase in working capital and technological transformation loans for township and town enterprises." Premier Li Peng recently also made a clear request of the financial sector in this regard. We believe that the percentage of loans will gradually reach an amount that corresponds to the output value of township and town enterprises.

Yet another example is what can be done to strengthen and improve vocational management in the face of

intense competition among different economic components and different enterprises so that the previous pitfalls of industrial management may be avoided.

Another problem is how to guide the full display of talent in an externally oriented economy of township and town enterprises that already deliver exports worth more than 60 billion yuan, and among which there are more than 50,000 enterprises earning foreign exchange through exports, and more than 7,000 Sino-foreign joint ventures. How can required support be given in accordance with the spirit of the Eighth Plenary Session to those entrepreneurial groups that meet requirements?

Township and town enterprises have become a large and important industrial army in the national economy. We can only "actively support, rationally plan, correctly guide, and better manage them" in accordance with the plans of the Eighth Plenary Session.

Practice—understand—practice some more—understand some more. During the past decade and more, township and town enterprises have gone through countless trials and hardships, and numerous twists and turns in their development. Because of the influence of the bifurcated structure of the traditional system that endured for such a long time, and the influence of economic control patterns shaped throughout history by which the city and the countryside were separated, sectors were cut up, and higher and lower authority were separated, people's differences in perception of and biases against township and town enterprises may continue for a fairly long time. The Eighth Plenary Session's evaluation of township and town enterprises has become the consensus of the entire party today. "Despite the mountains, the rivers keep rolling along." Township and town enterprises have developed to their present scale with an impetus that many people found difficult to imagine, and they will demonstrate even more brilliant prospects. This vividly demonstrates that the enthusiasm and dynamism of 900 million peasants in the pursuit of the four modernizations and pursuit of a comfortably well-off life cannot be contained. The remarkable achievements of township and town enterprises during the era of reform and opening of the outside world vividly manifest the firm and indomitable pursuit and the unflagging and great practice of the Chinese people under leadership of the CPC in following a distinctively Chinese road toward early modernization.

TRANSPORTATION

Railroads To Increase Freight Capacity

920603060592 Beijing CHINA DAILY in English
6 Mar 92 p 1

[By Xie Yicheng: "Railways Get Ready for Euro-Asia Route"]

[Text] Anticipating the September opening of the Euro-Asian trans-continental railway linking China to the Atlantic, the railway system will increase its container freight transport capacity by an annual 30 percent, railway officials said yesterday.

Starting April 1, the Ministry of Railways will run express container trains from Harbin, Shenyang, Beijing and Zhengzhou to Guangzhou to handle boosts in the national economy and foreign trade, Cui Changduo of the ministry's Transportation Department said.

"More domestic enterprises are willing to deliver or receive goods in containers. To them, it is a strong box," Cui said.

The damage rate of glass packaged in containers is below 1 percent, compared with 22 percent for other packages.

To facilitate trade with Europe, China is further negotiating with former Soviet republics on transporting international containers across Siberia along the New Euro-Asian Continental Railway, which begins in East China's Lianyungang Port and ends in Rotterdam in the Netherlands.

The railway sector is also preparing to transport international containers from East and Southeast Asia to Europe and the Middle East along the new route, railway official Jin Wanqian said.

Sources said the trans-continental railway is expected to open officially in September.

The ministry has upped development of container shipping since open and reform policies were initiated in 1978.

Last year, the rail sector dispatched 13 million tons of freight, up 16 percent over 1990.

It also earmarked 160 million yuan (\$30 million) to build 51,000 containers and renovate nine large-scale container cargo yards, bringing an additional handling capacity of 3.8 million tons.

By the end of last year, the ministry owned 325,000 containers, over 1,000 container platform wagons and 352 container-handling stations.

Last year, the ministry sent 148,000 tons of piecemeal cargo by container and organized 120 special container trains to raise shipping capacity and minimize cargo

damage. Another breakthrough last year was the transport by rail and sea of 430 containers between Hainan Province and the mainland, which helped boost the island's economy.

In another development, China has completed repairs to the part of the Sino-Vietnamese railway line on its territory, according to a XINHUA report yesterday.

AGRICULTURE

Zhengzhou Wholesale Grain Market Forecasts Trends

92CE02994 Beijing JINGJI CANKAO BAO in Chinese
29 Jun 92 p 2

[Article by Mu Xiaoli: "Wheat Price Up With Brisk Sales; Corn, Soybean Much in Demand"]

[Text] The Zhengzhou Grain Wholesale Market, which has authority to release grain prices, made forecasts on grain prices for 1992 the other day. Wheat will come out of a slump, and sales will increase, and corn and soybean prices will go up because of limited supply and greater demand.

In 1991, despite production losses due to disasters, the stagnant market situation has not shown a clear improvement because of the slump in grain and oil markets in the past two years. But in the second half of the year, there were signs indicating that the grain market was gradually recovering and that the nationwide weakness of grain markets was changing into a weakness in variety. Market prices which had been sliding continuously were stabilized, the sales prices of certain varieties gradually increased, but the level of overall prices in the year was lower than that in 1990.

Wheat: The average market price in 1991 was 0.778 yuan per kilogram. In December, the market price increased to 0.783 yuan per kilogram. The trend of market prices coincided with that of the wholesale market price. The average transaction price (free on rail price) of Grade 3 white wheat over the year at the China Zhengzhou Wholesale Market was 0.834 yuan per kilogram, 7.2 percent higher than the market price. The higher price was due to management expenses and quality differential.

Corn and soybeans: as the principal varieties of feed grain, have played a dominant role in the grain market in the past year. In the second half of the year, they were the favorite varieties of traders. Their brisk sales trend was maintained over the year and prices were stable with some increase.

A responsible person at the Zhengzhou Grain Wholesale Market states that according to the production situation in the country and market development trends, it is estimated that grain prices will increase over the 1991 basis and the price level over the year will be higher than that in 1991.

Wheat: Based on the following, it will gradually get out of the slump, the lackluster market will become more active and there will be some price increase.

Possible supply reduction in 1991 gross output of grain was good and provides a material base for this year's grain market supply. But in terms of quality, it was less than desirable. There was large difference in wheat quality. Among 13 wheat producing areas, only Shandong had better wheat quality than 1980; in all other areas, it was worse. This means a reduction in available quantity of medium or higher grade wheat to the market.

Second, although in 1991 fall and winter sowing was delayed in the whole country, there were serious problems of seedling shortage and broken ridge for sowed wheat, some areas could not even plant. All these will lead to reduction of summer crops this year. But as the state has set up a special grain reserve system to strengthen market regulation capability, wheat price will not reach the over one yuan per kilogram levels of 1988 and 1989.

Corn and soybeans. These two varieties, especially soybeans, will be in short supply in 1992. Sale prices will go up. The magnitude of increase will be greater for soybeans than corn. Supply decreased because of poor harvest. The need of disaster areas, development of the livestock industry, and increased exports all contributed to increased demand.

The fat and oil market has been weak for two years. According to the current market situation, it is estimated that there will not be big improvement this year. Furthermore, with continued price reform, market competition will be more intense. Sale prices will rise from a low level.

Provinces Reduce Peasant Burdens by 2 Billion Yuan

92CE0294B Beijing NONGMIN RIBAO in Chinese
13 Jan 92 p 1

[Text] Since the State Council issued the "Circular on Conscientiously Reducing Peasant Burdens," the Ministry of Agriculture and agricultural administration departments and rural work departments in various provinces (cities and regions) have placed supervision and management of peasant burdens at the top of their agenda. A system for supervising and managing peasant burdens is beginning to take shape, and screening and consolidation work has shown initial success. According to incomplete statistics from 11 provinces and cities, including Beijing, peasant burdens have been reduced by a total of nearly 2 billion yuan, which has resolved the excessive contradictions of peasant burdens to a certain degree, and has laid a foundation for strengthening supervision and management so that peasant burdens can be reduced in the future.

As I understand it, until now, all 30 of the country's provinces (cities, regions) have officially established level-one provincial organizations for supervising and managing peasant burdens. Hunan, Shandong, Sichuan, Gansu, Guangxi and other provinces (regions) have specially established leading small groups on supervising

and managing peasants burdens, headed by a provincial-level leader. More than half of the prefectures (cities) and counties have also correspondingly strengthened their supervision and management departments, and rural cooperative economic management and administrative departments at all levels have specifically taken on day-to-day supervision and management of peasant burdens.

Under authorization of the State Council, the Ministry of Agriculture has started screening documents dealing with peasant burdens from all State Council departments. Some documents on peasant burdens from the 30 provinces (cities, regions) that have already been screened have gone into the review and approval stage, and some are still being screened. On this foundation, some provinces (cities, regions) have removed some unfair burdens. For example, Zhejiang Province has adopted five specific measures to reduce fishermen burdens. Sichuan Province has eliminated 29 peasant burdens, reducing peasant burdens by about 870 million yuan. The Gansu provincial government announced that it has discontinued implementing 21 unfair peasant burdens. According to incomplete statistics from 11 provinces (cities), including Beijing, Shanxi, Heilongjiang, Shandong, Henan, Hubei, Hunan, Hainan, Guangdong, Sichuan and Gansu, total reduction in peasant burdens has reached 2 billion yuan, which has controlled the trend of excessive increase in peasant burdens.

At the same time, there have been new breakthroughs in establishing a system of laws and regulations on managing peasant burdens. Long before the State Council officially issued the "Regulations on Managing the Expenses and Labor Borne by Peasants," the Standing Committees of people's congresses in six provinces, including Hubei, Hunan, Heilongjiang, Jiangxi, Sichuan and Shandong, established regional laws and regulations on managing peasants' burdens. 18 provinces (cities, regions) established management measures, and some prefectures and counties, to tailor measures to local conditions, established day-to-day supervision and management systems that include budgeting and final accounting of peasant burdens, special audits, reports, inspections and statistics.

Tractor Market Expected To Grow in 8th 5-Year Plan

92CE02944 Beijing ZHONGGUO NONGJIHLA BAO in Chinese 18 Jan 92 p 3

[Text] According to forecasts from concerned departments, China's tractor market will continue to improve during the Eighth Five-Year Plan. The party Central Committee and the State Council have further emphasized agricultural development, particularly grain production, and are determined to increase investment in agriculture, and renew attention to expanding agricultural mechanization to create favorable conditions for developing tractors, a primary mechanized force in agricultural production.

Changes in the structure and scope of agricultural management and other development trends have determined that during the Eighth Five-Year Plan, the tractor market must still concentrate on small- and medium-sized models. After implementation of the household contract responsibility system in rural areas, each peasant household has an average of 10-odd mu to 10 mu of cultivated land in the north, and generally only a few mu to 10-odd mu in the south. Under this type of management structure and scope, small- and medium-sized tractors are suitable.

Market demand for large- and medium-sized tractors will continue to improve. The primary manifestations will be in the three following areas:

First, establishing a grain commodity base area, reclaiming and improving low-yield land and saline-alkaline low-lying land, large-scale irrigation projects, developing rubber farms, building grasslands, as well as construction, mining, railroads, highways and other key national construction projects requires a certain number of technically advanced large- and medium-sized tractors.

Second, for rural areas to increase production by developing appropriate-scale management and deep plowing requires large- and medium-sized tractors and accessory farm machinery. Using large- and medium-sized tractors to cultivate, harrow, sow, harvest, and for such work as farmland capital construction (including digging fish ponds) and agricultural transportation, is not only highly efficient and reduces resource consumption, but also leads to higher quality. Using them for deep cultivation can speed up soil curing, improve the granular structure, increase fertility, reduce crop diseases and insect pests, increase resistance to drought, and increase grain harvests. As a result, along with an increase in the per capita income in rural areas, the land will gradually be concentrated in the hands of farming experts, and large and medium-sized tractors and accessory farm machinery will tend to increase steadily.

Third, old and outdated equipment models are badly in need of replacement. In state farms of the Northeast and the North and in other provinces in the northern region where large- and medium-sized tractors are relatively concentrated, more than 40 percent of all large- and medium-sized tractors exceed their economical service life. The serious aging of tractors has led to a decrease in field productivity, and has had a particularly serious effect on deep cultivation.

At present, the deep-cultivated soil in our country's northern region has hardened, the physical and chemical properties have become poor, water retention and fertility maintenance have decreased, surface runoff is serious, crop diseases and insect pests have increased, and in the northeast region, weeds that were eliminated from weed-infested areas have returned. These circumstances have led to a decrease in per-unit grain yields.

The results of studies by agricultural departments in Shandong, Jilin, Heilongjiang and other provinces have shown that with the same investment and management conditions, if the land is not deep-cultivated, wheat production will be reduced by 15 to 21 percent, and corn will be reduced by 25 percent. The aging of tractors has led to an increase in energy waste and repair costs. Therefore, these old tractors must be replaced promptly.

Scattered Rice Planting To Boost Per Unit Output

*OH 2902172192 Beijing XINHUA in English
1512 GMT 29 Feb 92*

[Text] Beijing, February 29 (XINHUA)—The State Science and Technology Commission and the Ministry of Agriculture have decided to expand usage of the scattered rice planting method in southern China in order to increase the per unit rice output.

The planting method was first introduced from Japan to Fangzhen County near Harbin, the capital city of the northeastern China's Heilongjiang Province.

Use of the new method required less fertilizer, water, manpower and seeds, and in most cases helped to increase rice output by over 1,000 kilograms per hectare, and in some cases even doubled output.

Twelve years of experiments on over four million hectares in 12 northern provinces which suffered water shortages have resulted in an increased grain output of over seven billion kilograms. In 1991 alone, the method was used on 60 percent, or 1.7 million hectares, of paddy fields in the northern provinces.

At present, Chinese farmers plant rice on 32 million hectares each year, and rice accounts for over 40 percent of annual grain output. Since 90 percent of the country's rice paddy field is found in southern provinces, experts say that use of the advanced planting method will be a highly significant in increasing the country's grain production.

Environmental Protection Program Stepped Up

*OH 280224792 Beijing XINHUA in English
0155 GMT 28 Feb 92*

[Text] Beijing, February 28 (XINHUA)—China has been stepping up its so-called "141" environment protection program nationwide.

The "141" program refers to construction of one fast-growing, high-yield timber production base, four wind-shield forest belts in northeastern, northern and northwestern China, in the upper and middle reaches of the Yangtze River, along the sea coast, and on the plains; and one sand-control project.

This huge environmental protection program will last until 2050, covering a total area of 60 million ha (hectares), among which 7.97 million ha will be a fast-growing, high-yield timber production base, 35.08 million ha will be windbreak forest belts in northeastern, northern and northwestern China, with nine million ha already completed, 7.42 million ha will be a protection forest belt on the upper and middle reaches of the Yangtze, with 1.8 million ha already completed, and 3.55 million ha will be along the sea coast with 1.33 million ha already completed.

The sand-control project will cover six million ha.

It is predicted that about 66 million ha of farmland will be protected after the "141" environment protection program is completed.

Guangdong Animal Husbandry Entering Modern Era

92C1 0299B Beijing JINGJI CANKAO BAO in Chinese
21 Jan 92 p 2

[Article by Han Xiaoguang: "Scale of Raising Progressively Expanding Animal and Poultry Varieties Thoroughly Changed"]

[Text] After 12 years of continuous production increase, 1991 was again a good year for animal husbandry in Guangdong. It is estimated that the total meat output of the whole year exceeded 2.2 million tons, an increase of 8.7 percent over the previous year.

A comrade of the Guangdong Animal Husbandry Bureau recently told this reporter that animal husbandry in Guangdong which used to be just raising and slaughtering for personal consumption has thoroughly changed under the influence of the reform policy and has stepped into the modern era.

— The mode of poultry raising has developed from single family operations to large scale specialized operations. Large, medium, and small animal husbandry enterprises, joint entities and specialized households have sprung up like mushrooms in Guangdong. According to statistics, Guangdong has 110 large and medium scale hog-raising production lines with over 5,000 heads per year capacity, which produce annually 730 thousand head of three way cross lean hogs. The largest of them, Wanfeng Pig Farm has an annual raising capacity of 100 thousand head. Households specializing in chicken raising or pig raising are even more numerous, in the Baiyun District of Guangzhou City alone, there are 2,100 specialized households with annual output of over 5,000 chickens, and nearly 2,000 specialized households with annual output of over 30 hogs.

— The varieties of livestock and poultry have changed from lower grade to higher grade. In the past, livestock and poultry raised in Guangdong were small, low in weight, and slow in growth, hogs were fatty and chickens

emaciated, they did not meet the market need. Since reform and opening up, Guangdong has introduced foreign improved breeds, management techniques, and established systems for breeding and commercial production of good livestock and poultry strains. During the Seventh Five-Year-Plan period, the province imported 7,400 foreign breeding hogs such as changhai, duroc, hampshire, dika, and 27 intensified production lines, and through assimilation established two stud farms with an annual capacity of 6,000 head, and 23 city (county) second level pig stud farms of 1,000 head annual capacity. At present, Guangdong has established over 100 hog stud farms, has over 100 thousand of three way cross sows, and has realized optimized hybridization for commodity hog production. At the same time, Guangdong has imported as many as 10 million good foreign breeding fowls such as pearl chicken, cherry valley duck etc., established over 150 poultry production and breeding bases. Last year, the number of poultry raised in the province reached over 500 million, of which 300 million were sold, both numbers were the highest in the country.

From raising for personal consumption to production for domestic and foreign markets, a multi-level, multi-form, multi-channel circulation network for livestock products has been formed. At present, Guangdong has over 1,600 agricultural markets that deal mainly with livestock and poultry products, some have developed into wholesale markets and futures markets. Livestock and poultry delicacies not only satisfy the national palate, they are also exported to earn foreign exchange. A large number of livestock and poultry export bases have been established in the Zhujiang delta and the coastal region through foreign and domestic connections and by adopting famous, special and good varieties and advanced technology. At present, the number of live pigs exported annually to Hong Kong and Macao reaches 450 thousand head, earning 450 million Hong Kong dollars. According to statistics, in 1991 Guangdong earned \$400 million in foreign exchange from livestock and poultry products exports.

Anhui Farmers Preparing for Spring Farming

011 220,095,292 Beijing XINHUA in English
0925 GMT 22 Feb 92

[Text] Hefei, February 22 (XINHUA)—Agricultural departments and farmers in east China's Anhui Province, which suffered devastating losses during last summer's heavy flooding, are busily preparing for spring farming.

The local agricultural supply department has stored over 3.3 million tons of fertilizer for use during spring farming, an increase of 200,000 tons over the 1991 supply. The department has also made preparation to supply agricultural chemicals needed for the farming season.

In addition, the farmers are allowed to purchase fertilizer with delayed payment.

At the same time, the local agricultural department has asked technicians to provide assistance to the farmers during the spring farming season. The department has decided to expand the use of high quality rice and to restructure agricultural production in order ease problems related to selling grain.

Other departments, including those which provide farm machinery, funding, and weather forecasts have instituted measures designed to help local farmers.

The farmers began preparation of their fields earlier than normal, and have thus far spread fertilizer on over 60 percent of the arable land. In addition, over 100,000 local farm households were prepared to begin spring ploughing immediately after the Spring Festival.

Shandong Promotes Agricultural Development

OW 2302034292 Beijing XINHUA in English
0458 GMT 23 Feb 92

[Text] Beijing, February 23 (XINHUA)—Eastern China's Shandong Province has made great efforts to develop agriculture in 1991, **PEOPLE'S DAILY** reported today.

According to the Beijing-based national newspaper, Shandong reaped grain output totalling 39.15 billion kg last year, up 170 percent over 1978, a year just before the national reform.

The output of cotton, oil-bearing crops, fruit, aquatic products, meat, eggs and milk of the province also registered a big increase last year.

Its total agricultural output value and the production output of wheat, cotton and peanuts rank first in the country respectively.

A survey report shows that the average income of farmers in the province reached 764 yuan per person last year, up 12.3 percent over the previous year. To further boost agriculture this year, Shandong will focus on boosting production output of grain, cotton and edible oil, and developing animal husbandry, aquatic breeding, and processing of farm and sideline products.

It will further popularize agro-technical results, make full use of land resources, improve farm production conditions and ecological environment and practise diversified economy.

It will also expand social service in rural areas to guarantee the supply of materials and equipment for farm production.

Xinjiang Harvest Program Produces Good Results

OW 2802033792 Beijing XINHUA in English 0208
GMT 28 Feb 92

[Text] Urumqi, February 28 (XINHUA)—Northwestern China's Xinjiang Uygur Autonomous Region has increased its output value of grain by 704 million yuan thanks to the implementation of the harvest program in 1991.

In that year about 5,400 technological personnel and cadres were formed into 42 contract groups and 1,264 contract units to serve 285,000 farm households. In addition, 550,000 farmers with technical training became the backbone of the effort to apply technology to agriculture.

Xinjiang implemented 18 projects of the harvest program on 1.26 million ha of farmland, 800,000 ha (hectares) of which was given over to grain. The total grain yield increased by 231 million kg for a total increased output value of 332 million yuan. The total cotton yield was 311 million kg from 250,000 ha of farmland, with a increased output value of 291 million yuan.

New agricultural production technologies were adopted, including spreading new improved varieties of seeds, water-saving irrigation, and improved fertilization and pest-eradication methods.

Fujian Sets Up New Agricultural Development Zones

OW 0303023292 Beijing XINHUA in English
0136 GMT 5 Mar 92

[Text] Fuzhou, March 5 (XINHUA)—Another 29 comprehensive agricultural development zones have been set up in southeast China's Fujian Province this year to seek foreign investment.

In order to further expand agricultural cooperation with overseas enterprises, the provincial government has decided to set up development zones on 10 of its coastal islands including Quandao Island in Dongshan County, Meizhou Island in Putian City, Langqi Island in Fuzhou City, 10 of its state farms including Wufeng farm in Zhangzhou City and Xibin farm in Jinjiang City, and three state forest farms.

In order to attract more overseas investors, the province worked out preferential policies to encourage overseas businessmen to invest in these new open development zones particularly in agriculture, processing industry, tourism and development of stretches of land.

A provincial government official said that most of the development zones are coastal and have rich resources and good infrastructural facilities such as communications and telecommunications facilities.

New Characteristics of Bribery, Economic Crimes
92CM02094 Shanghai SHEHUI /SOCIETY/
in Chinese No 84, 20 Jan 92 pp 18-20

[Article by He Jichuan: "Characteristics of Crimes of Bribery Today and Countermeasures in Dealing With Such Crimes"]

[Excerpt] [passage omitted]

1. More departments and personnel are involved in bribery.

During 1989, procuratorial organs in Chongqing City filed 364 bribery cases for investigation and prosecution, involving 418 people, accounting for 42 percent of the total number of economic cases recorded that year, and was an increase of 4.7 times over 1988. After analyzing 300 of the 314 cases, it was discovered that these cases were connected with more than 20 departments in the planning, sales, financial, supply, construction, medical and educational fields.

In 1989, procuratorial organs in Hebei Province accepted and heard a total of 3,840 economic cases of all types, including 3,849 cases of embezzlement and bribery, a 92.2 percent increase over 1988. Some major, important cases occurred not only in economically well-developed districts, but also poverty-stricken hilly areas. They took place not only in enterprises and institutions, but also party and government organs and law enforcing departments. They involved not only ordinary cadres, but also leading cadres. Sometimes, the cracking of one case led to several other cases.

What merits attention is the fact that crimes of this type are also discovered in some units and departments where such crimes are not likely to take place. For example, two cadres of the No 2 Cleaning Squad of the Fengtai District Environmental Protection Bureau in Beijing Municipality illegally transferred some of their jobs to other people, and received 80,000 yuan in bribes. One woman worker in a meat chain store in Shuni County in suburban Beijing handled neither money nor supplies. She only collected meat coupons. However, she extorted a total of more than 67,000 yuan from meat purchasing units with all types of excuses.

With the increase in the number of bribery cases in various party and government organs, administrative and supervisory departments and judicial units, the number of party members, leading and management cadres and law-enforcing personnel who commit the economic crimes of embezzlement and bribery is also growing. In 1989, 140 or 21 percent of the economic criminals investigated and prosecuted by Beijing municipal procuratorial organs were party members. From January to July 1989, 119 or 24 percent of the economic criminals under investigation and prosecution were party members, while 67 percent of these 119 offenders were leading cadres who carried out some form of leadership work. From 1987 to 1989, 47 or 31.5 percent

of the 149 criminals who accepted bribes in the construction field in Guangzhou City were party members, and more than 70 percent were in the position of awarding building contracts or reviewing and approving such contracts. Chongqing procuratorial organs filed 300 crimes of bribery for investigation and prosecution involving 328 criminals. Of these criminals, 101 or 30.8 percent were professional workers, and 197 or 60.8 percent were leading cadres in various party and government organizations and enterprises. What merits particular attention is the fact that the practice of offering bribes to judicial cadres has become more and more serious. According to incomplete statistics, cadres in the Anshan City Court in Liaoning Province refused to accept bribes on 498 occasions in 1988 and 1989 with the total amount of money offered as bribes exceeding 100,000 yuan. In the past, bribes were only offered in trying criminal cases. In recent years, litigants often offer bribes to functionaries who review or handle civil or economic cases.

2. Amount of money offered as bribes continues to increase.

According to statistics of the Chongqing procuratorial organs, the amount of money received as bribes was 3,580 yuan in 1987, and each criminal received 3,000 yuan on average. This amount was 5,000 yuan in 1988, and each criminal received 4,500 yuan on average. This amount was 7,800 yuan in 1989, and each criminal received 7,100 yuan on average. In 1989, Chongqing City procuratorial organs filed 81 major bribery cases involving more than 10,000 yuan for investigation and prosecution, a more than 500 percent increase over 1988.

In the first half of 1990, Wuhan City filed over 440 cases involving embezzlement, bribery and other economic crimes for investigation and prosecution, an increase of 47 percent compared with the same period in 1989. Of these, bribery cases increased the most, a 150.8 percent increase over the same period in 1989. The number of major and important cases apparently increased. Between January and May 1990, Wuhan City procuratorial organs filed a total of 82 major embezzlement and bribery cases that involved over 10,000 yuan for investigation and prosecution, an increase of 92.5 percent over the same period in 1989. Procuratorial organs in the city investigated a total of 11 major criminal cases involving cadres at and above the county or regimental levels, a four-fold increase over the same period in 1989. One major reason for the emergence of such major bribery cases was the fact that people will not hesitate to pay a high price to bribe "key" personnel in order to achieve their objective. For example, when a litigant tries to bribe a judicial organ, he will mainly offer it to the judicial or law enforcing official of the court who handles the case. Most bribers offer money in any amount between several hundred and 10,000 yuan. Some litigants present brand-name cigarettes and wine, woolen blankets and goods, bicycles, gold rings, expensive furniture sets and so on as gifts to judicial cadres. In

Anshan City, 20 judicial cadres turned down bribes that exceeded 1,000 yuan. Of the cadres in Liaoning's Anshan City court who refused gifts and bribes, 98 percent were adjudication cadres and law-enforcing personnel. For example, a relative of a vice president of the Tiedong District Court offered 10,000 yuan to the vice president to help a defendant involved in an injury case, but the latter sternly refused to accept the bribe.

3. Bribery tricks have become more crafty.

Criminals openly offer bribes under some 30 different names, such as "letter of appreciation," "information charges," "rebates," "handling charges," "fees for hard work," and "labor charges." Some offer bribes to judicial cadres in the name of "celebrating a festival," and others use the opportunity of a judicial cadres' marriage, funeral, moving to a new house, or their son's or daughter's entry into a higher school to offer them bribes. Others blatantly offer money to those who handle their cases, and ask the latter to pass sentences that are to their advantage.

At present, tricks in committing bribery have become more and more secretive. For example, some insinuate bribery, wishing to leave no traces behind, a briber offers the bribe with no one else in sight. When bribes are offered to two or more persons in the same department, they are offered separately and secretly so that the bribees have no knowledge that others in the same department are involved. Some provide foreign addresses for accepting bribes, or deposit the money in their accounts abroad, or let relatives or friends in foreign countries accept bribes.

The desire of criminals who commit bribery to avoid legal sanctions has become stronger and stronger, and their moves have become more and more crafty. First, they try their best to create confusion so that it is difficult to determine who the actual culprit is, although their intentions are quite clear. For example, "when the son manipulates his power for personal ends, his father reaps the benefit"; "when the father manipulates his power for personal ends, his son reaps the benefit"; and "when the husband manipulates his power for personal ends, his wife demands money." There are all types of tricks like these which have baffled the judicial organs in enforcing laws. Second, motives and actions in the crime are unclear, although the object in the case is distinct. An oil refinery director in Wuhan City instructed his staff members to adopt such measures such as juggling oil output figures to reap more profits for the refinery. As a result, the refinery was able to retain a profit of more than two million yuan. He used the profit to issue bonuses to workers to obtain their good opinion of him. Once he saw a color television set in the refinery valued at 10,000 yuan, and hinted that he too would like a TV set like that. The administrative officer of the refinery soon bought a set, and held a workers' representatives meeting. At the meeting, he showed the television set wrapped up in a package, saying that he proposed to present a television set to the refinery director, because

the latter had managed the refinery so well. He deliberately mentioned nothing about the cost of the television set, and suggested that the representatives of the workers cast their votes for this proposal. During the meeting, the representatives adopted the proposal to give the set to the director, thinking that it was just an ordinary television set. It was in such a way that a state asset worth 10,000 yuan had openly and legally fallen into the hands of this director. Third, bribers often deliberately disclaim any connection with their official duties in the course of committing bribery. This has puzzled the law enforcing organs in determining the nature of the crime and convicting the criminal. A deputy department chief of the Wuhan International Technical Cooperation Company received a color television set and a gold chain valued at 5,000 yuan from a Hong Kong businessman. When the case was under investigation, the deputy department chief refused to admit that these were bribes, saying these were the remuneration he got for doing translation work for the Hong Kong businessman. An investigation revealed that the bribes were offered by the Hong Kong businessman to get better deals with the company in Wuhan. However, this deputy department chief did some translation work for the Hong Kong businessman, but the remunerations for his work done were negligible. It was in this manner that law enforcing organs had some difficulty convicting him of accepting bribes.

In addition, those who handle bribery cases are often disturbed and harassed. On the one hand, they receive more threats, and cases of physical assaults or murder in revenge are often reported. Some criminals bitterly hate police cadres investigating their activities, and wait for any chance to retaliate. In minor cases, they hurl abuses, write threatening letters or make threatening phone calls. In serious cases, they encircle and assault, or even mercilessly kill policemen. On the other hand, the tendency of pleading for mercy for those who commit bribery has also prevailed. At present, whenever a case is under investigation, people of different status often come forward to inquire about the case or plead for mercy for the accused. Some law enforcing personnel receive calls even before they accept a case. Some invite law enforcing officers to dinner to plead mercy for the accused, which makes it difficult for those handling bribery cases to defend themselves. Now, it is also common to plead mercy for criminals in the name of an unit. When a procuratorial organ in Wuhan City was investigating a case of collective bribery committed by a company, it was approached by the company's security department, who said: "Tens of thousands of people in the company have to eat. We simply have to offer bribes." [passage omitted]

Substantial Decrease in Graduate School Applicants

92CM02124 Beijing DA YUESHENG /UNIVERSITY STUDENTS/ in Chinese No 49, 10 Jan 92 pp 18-19

[Article by Chen Suoxing, of the Central Nationalities Institute: "What Are the Prospects for Graduate School Enrollment?"]

(Excerpt) (passage omitted) At the end the 1991, I found that large numbers of students at many schools were busy preparing for graduate school entrance examinations. Compared with previous years, will this year be again a year with a "fever of applying for graduate schools?" With this question in mind, I interviewed Zhou Jun, the person in charge of the Graduate School Section of the University Enrollment Office of Beijing Municipality to provide a background report for readers concerned about applying for graduate schools.

Zhou Jun said, since resuming graduate school entrance examinations, the real fever of applying for graduate schools occurred in 1985 and 1986. In 1985, the number of graduate school applicants nationwide was 161,000, and the number of those admitted was 43,000. In 1986, the number of graduate school applicants nationwide was as many as 180,000, and the number of those admitted was 40,000. Since then, the number of applicants decreased year by year. Even in 1991, the so-called year of "fever of applying for graduate schools," the number of applicants nationwide was only 93,000.

Zhou Jun also testified that in 1985 and 1986 the number of applicants for institutions in Beijing was around 34,000, representing the peak of the number of applicants since the resumption of graduate school entrance examinations. In 1991 the number of applicants was only 24,000. Therefore, in terms of graduate school applications, 1992 will definitely not see such "heat waves" as occurred in 1985-1986. There will only be some increase over the previous couple of years. Because the State Education Commission has been conducting planned adjustment and control over the years, in the future there will not again be such fever as seen in 1985-1986.

The Academic Degree Commission of the State Council has approved about 800 research institutes and institutions of higher education that can enroll master-level graduate students in 1992, and 200 of those institutions are in Beijing Municipality, accounting for one-fourth of the total number of graduate-level institutions nationwide. Nationally, there are around 800 academic fields for which graduate students are enrolled. According to Zhou Jun, as the national political and cultural center, Beijing Municipality has the largest enrollment, representing about one-fourth of the total enrollment nationwide. The coverage of academic fields is also rather complete. Next are Shanghai, Sichuan, Hubei, Shaanxi and Jiangsu, in terms of the number of enrolling institutions and enrollment.

Zhou Jun particularly emphasized that it is not necessary to always pay too much attention to the issue of "whether there is a fever," and that the key issue the public opinion circles should be concerned about is that of quality. He cited some worrisome tendencies. For instance, in the graduating class of four-year undergraduate institutions, applicants give more consideration to the prospects after completing graduate school. Before 1986, job assignment for graduate students was rather

easy. One could usually find a job that suited his academic specialty, and allow one to make use of their knowledge and talents. Therefore, applying for graduate schools was the first choice among top students of the graduating class. Now a substantial number of people hope to find jobs in large corporations, large enterprises and government. However, these jobs are now saturated. Thus, only some of the current applicants for graduate schools are top students.

Furthermore, in recent years, quite a number of applicants are employed, and account for 20 percent of those admitted. 40 percent of applicants do not have an undergraduate degree, but have the equivalent level of education. Therefore, one cannot be optimistic about the quality of prospective students.

Surely, many of them have academic strength, and hope to further their learning to contribute to society. But some applicants proceed for the following purpose: to change their existing situation—perhaps for solving the problem of not living with their spouse, to change their work unit, or consider the rank. Because the graduating class of 1990 did not have the opportunity then to apply to graduate school, the number of applicants who are employed will increase, thus creating an misleading impression that admittance to graduate school is easy. As a result, the quality of prospective applicants is not high.

Besides enrollment in the last few years of some master-level special trainee students is also one reason for the problem of "quality."

Discussing the quality of applicants, Zhou Jun believes that political quality is an important aspect of the quality of applicants. We are faced with the two great challenges of a new technological revolution in the world and of "peaceful evolution." Exercising a tight control over the political quality of applicants is based on consideration for cultivating qualified trans-century successors.

It was exactly for the above-mentioned reason that since 1986, in regard to graduate school admission, we have adhered to the principle of "rather have fewer than lower quality." Especially in the last two years, each year the state only fulfills around 90 percent of planned enrollment. To ensure the quality of prospective students, in 1992 we will still adopt the approach of combining recommendation with examination, and will also admit, without examination, some top students recommended by schools.

According to Zhou Jun, whether job assignment for those completing graduate schools is "hot or cold" will determine the "rise or fall" in the quantity and quality of graduate school applicants. In 1991 popular fields for enrollment in Beijing included finance, international law, environmental sciences, international finance, commerce, and administration. In each of those fields, the number of applicants represented over 10 times the planned enrollment. However, in some fields, the number of applicants did not increase with the increase

in the total number of applicants. There were no applicants for some fields, such as history of Chinese economic thought, history of regions of the world, history of countries, and Chinese pharmacology, which are all oversupplied fields.

Another phenomenon worth attention is that after the "weak" market in 1989-1990, prospective employers have regained their enthusiasm for recruiting trained personnel, especially highly trained personnel such as graduate students. Zhou Jun believes that reform will inevitably enhance the enterprise's enthusiasm for scientific research and development. Furthermore, in terms of the inevitable trends of great changes in functioning mechanisms and of large-scale generational changing of the guard regarding scientific and technical personnel, college graduates of the early fifties began to retire in 1990. By 2000, most graduates of the early sixties will also retire. The nineties will be an era having a high rate of turnover for trained personnel, and there will be need for a lot of trained personnel to fill positions. Now many knowledgeable people at large work units, large enterprises and large corporations are already realizing the urgent demand for trained personnel. Because of the "demand fever" for trained personnel on the part of employers, there will be a general trend of increase in the number of graduate school applicants.

Government To Increase Funds for Teacher Training

HK2702093492 Beijing CHINA DAILY in English
27 Feb 92 p 3

[By staff reporter Zhang Lin: "More State Funds for Teacher Training"]

[Text] The Chinese Government will allocate an extra 800 million yuan (\$148 million) on top of its regular educational spending to strengthen the country's teacher-training institutions during the current Eighth Five-Year Plan period (1991-95), CHINA DAILY has learned.

During the same period, China will also use \$110 million in World Bank loans to purchase equipment and improve conditions for the running of over 25 teacher-training institutions of higher learning and 72 teacher in-service training schools, an official with the State Education Commission has told CHINA DAILY.

China also plans to use \$20 million in grants provided by the United Nations Children's Fund (UNICEF) to improve the conditions of over 153 secondary teacher-training schools.

The allocation of special funds and the use of foreign loans, together with the corresponding increase in state and local spending, is expected to boost the country's teacher-education network, which is taking shape in the current five-year development period, the official said.

In terms of the in-service training of teachers, at present a multi-level and multi-formal network of training is being set up, according to the official.

China has 257 higher-education teacher-training institutions with a total enrollment of 479,000, statistics from the commission show.

There are also 1,044 secondary teacher-training schools, with an enrollment of 670,000.

The official pointed out that enrollment has been declining slightly in recent years due to a lack of new recruits.

Now China has 265 education institutes or teacher in-service training institutes at both the provincial and municipal levels, with a total of 250,000 students.

There are also more than 2,000 teacher in-service training schools at the county level, with a total of 530,000 students.

Provincial education institutes mainly train teachers and administrative personnel in senior secondary schools.

Prefectural education institutes or teacher in-service training institutes train mainly teachers and administrative personnel in junior secondary schools.

Since teacher-training education and in-service training have been taken seriously and strengthened, the quality of the teaching contingent has been improved, the official said.

At present, the majority of the primary and secondary school teachers are competent and the rate of teachers obtaining appropriate formal schooling has continued to increase.

By 1991, of all the senior secondary school teachers, those with formal college schooling accounted for about 43 percent and more than 40 percent of junior secondary school teachers obtained some higher education. More than 70 percent of primary school teachers are graduates from secondary teacher-training schools.

XINHUA Reports on Role of Women in Society

OWD403144192 Beijing XINHUA in English
1318 GMT 4 Mar 92

[Text] Beijing, March 4 (XINHUA)—Chinese women have played an important role in China's political, economic and social life.

Of the deputies to the Chinese National People's Congress, China's highest legislative body, 634, or 21.3 percent, are women. And women make up 13.6 percent of the members of the national committee of the Chinese People's Political Consultative Conference.

The number of women working in government agencies at all levels has grown to 1.9 million from 150,000 in the 1950s.

Since the founding of new China in 1949, over 90 women have acted as governors or held positions at the ministerial level. And seven have been elected vice-chairmen of the Standing Committee of the National People's Congress.

Now the country has 14 women ministers or vice-ministers, 13 women vice-governors. Nationwide, there are about 200 women mayors.

More than 52 million women in China are wage-earners, which accounts for 37.7 percent of the total work force.

Women are better educated today. Statistics show 104 million women have become literate since the founding of new China. Over 1.3 million women in cities are studying at adult schools across the country. In 1990, China had 690,000 girls studying in colleges and universities, representing 33.7 percent of the total student number.

With the educational level greatly enhanced, women have been involved in such high-tech fields as genetic engineering and aero-space sciences. They have also participated in satellite-launching and Antarctic expeditions.

China now boasts over eight million women scientists and technicians, a dozen of which have become elected members of the Chinese Academy of Sciences.

However, the proportion of the female officials in government establishments remains comparatively small, and women have more difficulties in getting admitted to universities or getting jobs after graduation than their male counterparts.

These issues will be addressed in legal bills on protection of women's rights and interests which are expected to be approved at the upcoming annual meeting of the National People's Congress.

Life Expectancy of Intellectuals Lower Than Average

HK 17031692 Beijing CHINA DAILY in English
17 Mar 92 p 3

(By staff reporter Zhu Baoxia: "Intellectuals Die Younger Than Most")

[Text] Though the life-expectancy of Chinese people has been extended to 70, quite a number of intellectuals die in their early 60s or even in their 50s.

A recent survey showed that about 70 percent of those with professional positions above assistant-professor level, died before the age of 65, while the comparable death rate for people from other walks of life, such as manual workers and farmers, was slightly less than 40 percent.

Heavy professional work and household chores, poor working and living conditions, lack of physical exercise

and insufficient health knowledge were shown to be to blame, in a survey conducted by the Scientific Research Institute of the State Physical Culture and Sports Commission.

The figures have attracted the attention of health authorities and medical experts at state level.

There have been repeated calls for immediate and effective measures to improve the situation, and for medical care for these people, who are the backbone of the scientific, technological and teaching workforce of the country.

A health promotion centre for the middle-aged has been set up by the China Health Education Research Institute, in Beijing, to introduce healthy living habits to intellectuals and help them get proper exercise.

The institute, jointly with Beijing Aeronautics and Aviation University, is also to sponsor training courses for people aged between 35 and 59, starting this month.

Physical training and medical experts will be invited to give instruction and advice to the participants.

The course aims to raise people's awareness of and interest in physical training, and to pass on to them advanced health knowledge and self-care skills.

The university has also installed modern health monitoring instruments to give regular medical examinations to its staff.

Dong Jingwu, an expert from the China Health Education Research Institute, says tumours and cardiovascular diseases have become the two major killers of Chinese intellectuals aged between 35 and 59, accounting for 70 percent of all deaths among them in that age group.

Other major threats are cerebral vascular diseases, accidents and illnesses of the digestive system.

Investigations also revealed that over 60 percent of middle-aged intellectuals engaged in scientific research and teaching, suffered from these diseases. This was 20 percent more than for people of the same age in other walks of life.

Number of International Marriages Increases

HK 27021792 Beijing CHINA DAILY in English
27 Feb 92 p 3

[Report: "Mixed Marriages All the Rage"]

[Text] Although China's policy towards mixed marriages remains that of "no restrictions, but no encouragement," an increasing number of Chinese are marrying overseas Chinese or foreigners.

International marriages are reportedly most popular in prosperous coastal areas, such as Guangdong and Hainan provinces, and in China's largest city, Shanghai, according to the latest reports reaching Beijing.

Shanghai saw only 446 mixed marriages—or an average of 148 couples a year—between 1977-79. The number increased sixfold from 1985 to 1990, totalling 3,303 couples or an average of 917 couples a year. There were 865 mixed marriages in the first half of last year.

Similarly, this type of marriage increased more than five-fold in Hainan and as much as tenfold in Guangdong, where the annual average is 12,000 couples.

China is also experiencing some new trends in international connubiality.

Unlike the past, when most mixed marriages featured Chinese women marrying outsiders—either overseas Chinese or foreigners—now more foreign women are choosing Chinese men as their partners.

Of 365 mixed marriages between Chinese citizens and foreigners in the first half of 1990, a survey conducted in Shanghai showed that 99 people, or more than 27 percent of the total, were foreign women marrying Chinese men.

During 1990, the survey said, the outsiders marrying Chinese came from 38 foreign countries, a three-fold increase compared with 1986 when only 14 nationalities were involved.

Meanwhile, the reports said, the marriages were more stable now compared to previous years, with fewer couples splitting up.

Mixed couples showed a divorce rate of 0.7 percent in Guangdong—only about half of the provincial average—as more and more such marriages were forged from love rather than by the desire to leave China as in the past.

Furthermore, the marriages tend to be more solid as the age and educational gaps between outsiders and their mainland Chinese spouses, which in the past caused quite a number of Chinese wives to bid farewell to their foreign husbands, narrow.

The Guangzhou-based YANCHENG EVENING NEWS said international marriages have four main benefits—developing relations, expanding China's influence worldwide, improving business and investment contacts and expanding cultural and technological exchanges.

They are good for introducing foreign investment, raising overseas remittances and promoting the economy, the newspaper said, noting that 30 percent of the outsiders marrying in Guangdong Province were from business and political circles.

According to the Ministry of Civil Affairs, there are about 100,000 such mixed marriages registered in China.

A total of 23,762 mixed-marriage couples were registered across the country in 1990, the latest government statistics show.

Of them, 42,149 people were in their first marriages, while 5,375 people were married before. And, 13,487 people, or 28 percent of the total, were foreigners, while the rest were overseas Chinese, or people from Hong Kong, Taiwan and Macao.

Taiwan Economy Cautiously Optimistic
92CE02894 Hong Kong CHING-CHI TAO-PAO
/ECONOMIC REPORTER/ in Chinese
No 3, 13 Jan 92 p 11

[Article by Zhang Yi (4345 1837): "Cautious Optimism on This Year's Taiwan Economy"]

[Text] As the new year begins, various circles in Taiwan look back to the past and forward to the future, they generally agree that Taiwan's economic results were not bad last year. For the new year, they are even more hopeful, forecasting moderate and steady growth for the Taiwan economy this year.

A Pretty Good Report Card

Last year, the overall international economic situation was less than ideal. The United States, Canada, and Britain all had their first recession since 1982, the Soviet Union and the countries of East Europe were also in a large-scale contraction, and the growth rate for the world economy was about -0.3 percent. The Taiwan economy, however, not only did not see a recession, but it was also leading the recovery, moreover, prices were stable, industrial production rose, the stock market functioned smoothly, export markets were diversified, interest in private investment rose, and industrial and export mixes improved. It may be said that the Taiwan economy received a pretty good report card.

According to information from the "Statistics Department of the Executive Yuan," in the past year, Taiwan's rate of economic growth rose from the previous year's low of 5 percent to 7.2 percent. The growth rate was 6.4 percent for industry, 0.7 percent for agriculture, and 8.6 percent for services. GNP was NT\$4.8 trillion [New Taiwan dollars] and gross national product per capita was \$8,813. This was 25th in the world (among countries and districts with populations of a million or more.) The rate of increase in consumer prices dropped to 3.5 percent from the previous year's 4.1 percent. Private investment recovered from its 8.1 percent drop in 1990 to grow 4.1 percent last year. Although the amount of increase was small, still it reflects a rising trend in interest in investment.

Nonetheless, from the "Statistics Department's" information one can at the same time see that there still exist many problems in the Taiwan economy, such as wage increases, labor shortages, excessive foreign exchange reserves, pressures to revalue the New Taiwan dollar, and a money supply that is expanding daily, as well as insufficient government revenues and a rapidly rising government deficit, etc.

Last year, average wage increases in Taiwan approached 12 percent. Although lower than the 15 percent of the previous two years, this still put great pressure on enterprise management, and labor shortages continued. The trade surplus of \$8.8 billion was slightly higher than the previous year's \$8.6 billion. Growth in the trade

surplus caused the surplus in the balance on current account to reach more than \$10 billion, but the outflow of capital slowed down, so that the balance of payments showed a net increase of more than \$6 billion. Foreign exchange reserves approached \$80 billion, and there continues to be pressure to revalue the Taiwan dollar. This will have an unfavorable influence on export competitiveness and on expansion of foreign trade.

Moderate Growth Continues

Coming into 1992, Taiwan's officials, business, and academic circles maintain an optimistic attitude toward Taiwan's economy this year. The "Economic Construction Commission of the Executive Yuan" points out that this year the government will continue to increase public investment, private sector demand will strengthen, and domestic demand will also expand more rapidly. In another area, a revival in the international economy is forecast. Export trade should continue to develop, but since exports to Europe and Hong Kong have been leveling off for two years in a row now, and Taiwan's ability to increase production is limited, deliveries of goods and services will level off compared to last year. Therefore, it is forecast that this year's economy will maintain moderate growth. The goal of a growth rate of 7 percent should be achieved. The goal for industrial production is 6.5 percent growth, for agriculture zero percent, and for services 8.2 percent. This year the gross national product per capita will advance toward the goal of \$10,000, the rate of increase in consumer prices will be about 3.5 percent, and the unemployment rate will be 1.6 percent. The goals for exports and imports of goods and services are set at \$95.9 billion and \$88 billion respectively, and the trade surplus is forecast to diminish to \$7.91 billion.

Several economic research institutes also forecast that this year economic growth will be between 6.98 and 7.05 percent, private sector investment will exceed 8 percent, and the consumer price index will rise 4 percent.

As for industrial circles, more than nine-tenths of business people believe that this year's economy will turn upward, especially in the second half of this year, the economy will rise out of its slump on a big scale. People in high-tech industries such as automation, photovoltaic and electrical cables as well as, among traditional industries, those in plastic products, chemical fibers, cars, construction, etc., are even more optimistic.

Variables Influencing Economic Development

At a time when everyone unashamedly takes a positive view of economic development in the coming year, the media in Taiwan are warning everyone not to be overly optimistic, and grasp the variables that influence Taiwan's economic development.

First, the breakup of the Soviet Union will continue to influence the whole international economy this year, and its reorganization into a new order must certainly influence the future development of Taiwan's economy.

Second, changes in Taiwan's economic and fiscal situation will be subject to influences on the political plane as well as on the economic plane. The most important events on this year's political agenda are constitutional revision and the reorganization and election of a new "Legislative Yuan." Although the work of constitutional revision is dominated by the Kuomintang with its overwhelming majority, still it is a key question whether it can gain the larger acceptance of other political parties.

Third, a factor of greater and greater importance in influencing Taiwan's economy is the key relationship with the Chinese Mainland. Last year, the growth rate in Taiwan's exports to the mainland through Hong Kong

reached 40 percent, showing that the degree of economic integration between the two sides of the Taiwan Strait is clearly growing. How to break through the barriers across the Taiwan Strait so that economic and trade relations between the two sides can advance is a problem that will merit attention in the coming year.

Actually, Taiwan at present is already open to the outside world to a high degree. When examining Taiwan's future economic prospects, it is truly necessary to focus on changes in the international economy and relationships with the mainland, as well as Taiwan's own situation.

Business Ties of New Legislative Yuan President
92CM01894 Taipei HSIN HSIN WEN (THE
JOURNALIST) in Chinese No 234, 29 Jan 92 pp 32-33

[Article by Weng Wen-chin: "The Submarine Surfaces for Air After Having Nearly Drowned in the Sea of Money—The Financial Background of the New Legislative Yuan President Liu Sung-fan"]

[Excerpt] (passage omitted) Basically, Liu Sung-fan cannot be regarded as a politician with huge fortunes. Before entering politics, he succeeded his father Liu Yun-teng to become for a time general director of the Farmers' Association of Tachia Town, Taichung County. At that time, Liu Yun-teng became general director of the Farmers' Association of Taichung County, he summoned Liu Sung-fan, who was working at the taxation department of Taichung, back to Tachia to assume the office of general director of the Farmers' Association of Tachia. The Lius have long actively engaged in the operations of the farmers' association system. The Farmers' Association of Tachia, which was the springboard for Liu Sung-fan's political career, is now under his younger brother Liu Sung-ling as general director. In recent years, Liu Sung-fan seldom came back to Tachia, and according to a source, his grassroots service work is mostly being done through his brother and the operations of the Farmers' Association system.

Liu's father Liu Yun-teng was a six-term member of the county assembly of Taichung County and very active locally, and had a deep friendship with the chief political figure Ts'ai Hung-wen. It was due to his father's lingering influence that Liu Sung-fan was able to become the head of the red faction of Taichung County. Liu Yun-teng was good at organization and operations, especially in terms of securing ties through becoming sworn brothers. Liu Sung-fan really learned the family tradition, and used the same method to consolidate local ties. Only he did not expect that bringing local political measures to the center, and forming a "group of thirteen brothers" would bring him total disrepute.

The business run by Liu Sung-fan is not large. Coming from an agricultural county, his father Liu Yun-teng and friends together opened Tachia Food Factory, engaging in the manufacturing and marketing of canned mushroom and asparagus. Later, Liu Sung-fan's wife became the general manager. The export of canned mushroom and asparagus was once a big item in Taiwan's export, and the market was once very good. Later, because of the impact of the appreciation of the New Taiwan dollar, the market situation worsened. Consequently, Liu Sung-fan sold the business to Tungyang Food.

Liu Sung-fan also ran a Tungya Wood Products Company which was originally based in Tantzu, Fengyuan, and specialized in the manufacturing of wood loud-speaker boxes. After selling Tachia Food Factory, he moved Tungya Wood Products back to Tachia. Now Tungya Wood Products continues to operate, but enjoys only an average profit situation. According to a source,

since becoming a legislator, Liu Sung-fan has withdrawn from actual management, and is merely a stockholder.

Because Liu Sung-fan's early business operations were all in such manufacturing, his financial situation was not that great. It was claimed that, before the "No. 10 Credit Incident," the "group of thirteen brothers" accepted political contributions from the brothers Ts'ai Ch'en-chou and Ts'ai Ch'en-nan. In 1985, the "No. 10 Credit Incident" exploded, and after that, in 1986, the New Taiwan dollar underwent significant appreciation. As a result, export-based businesses were greatly affected and Liu Sung-fan was for a time in a difficult financial situation. There was rumor around the Legislative Yuan that he contacted many legislators for help on cash, and one rumor even explicitly stated that Liu Sung-fan received several million dollars from Huang Ming-he who was just elected legislator in 1986.

Huang Ming-he, on the other hand, indicated that the rumor contained some misunderstanding. Mainly because of the large-scale appreciation of the New Taiwan dollar due to American pressure, small and medium enterprises felt that the problems were too big to bear. Consequently, some businesses in the Changhua district organized the "Mission for Hearings on Fair Sino-American Trade," headed by Liu Sung-fan, to present to the American side the demands that the pressuring be stopped, and that the scale of the appreciation of the New Taiwan dollar be limited. Huang Ming-he paid for the 3 or 4 million-dollar expenses incurred by the entire mission at that time. After the mission returned home, in June 1988, Liu Sung-fan promoted the establishment of the Friendship Association of Parliamentarians of China and the United States, and became president of the association.

According to a source, the improvement of Liu Sung-fan's financial situation also had a lot to do with his real estate dealings. Liu Sung-fan was involved in the dealings on the hillside land at Takeng, Taichung, cooperating with the Taichung City Government on such development plans as concerning road-widening in Takeng. According to rumors, he made a lot of money from dealings on that piece of land. Liu Sung-fan once made clarifications to the effect that the land was bought at the advice of a friend and that there was no such a thing as profiteering on land.

Because Liu's father Liu Yun-teng and Ts'ai Hung-wen were old friends for many years, Liu Sung-fan's development in the political arena was helped greatly by Ts'ai Hung-wen, according to rumors. Because of the help, Liu Sung-fan went on to become the helmsman for the red faction of Taichung County. According to a source, the Taichung Medium Business Bank, where Ts'ai Hung-wen was chairman of the board of directors, was for a time inclined to support Lin Tzu-chin in his Legislative Yuan election, thereby forming a significant threat to Liu Sung-fan. Liu and Ts'ai were for a time unhappy with each other.

Liu Sung-fan himself was also director of the Medium Business Bank, which is now the only enterprise at which Liu Sung-fan holds a formal position. The relations between Liu Sung-fan and the Medium Business Bank mainly came from the Medium Business Bank stocks that his father Liu Yun-teng held. After 1989, Liu Sung-fan has not changed the size of his share of the Medium Business Bank's stocks, holding 24 percent of the stock. By August 1991, he had altogether over 380,000 shares, with a current market value of around 50 million. Each year, Liu Sung-fan can get a fixed amount of 1.3 million in annual compensation from the Medium Business Bank, with dividends calculated separately. Liu Sung-fan's half brother Li Fu-chu also works at the Medium Business, and was once the manager of the Wuchih Branch. Another brother Liu Sung-chun was deputy-manager at the Medium Business.

People in Taichung's business circles believe that Liu Sung-fan is not active in the business world of central Taiwan. According to a local figure who has had contacts with the two generations of the Liu Sung-fan family, except for Tachia Food Factory and Tungya Wood Products, local people do not know whether Liu Sung-fan has engaged in other business operations after becoming a legislator. The "No. 10 Credit Incident" and the "group of thirteen brothers" damaged Liu Sung-fan's image, although he often tried to clarify the issue, arguing that there was no such a thing as the group of thirteen brothers, and that such was pure self-fed unfounded rumors. But he still was unable to shed his image of having close ties with interest groups.

After the "No. 10 Credit Incident," Liu Sung-fan also had his image damaged because the "China Synthetic Fibers" prominently revealed his ties with interest groups. China Fibers was a stock-issuing firm, and became bogged down in financial difficulties at the end of 1988. Chairman Wang Ch'ao-ch'ing, who first made his fortune as a fabrics merchant, once hired Legislator Hung Li-ch'in to be chairman of the board of directors. China Fibers was then the only domestic synthetic fibers corporation that produced glassine and Leiying silk. If import duties on glassine and Leiying silk were to be cut across the board, China Fibers would be the firm that was the most seriously affected.

In 1988 when the Legislative Yuan was examining customs import duties, Liu Sung-fan and Hung Li-ch'in openly clashed because of the conflicting interests that they represented. After 1988, the price for China Fibers stocks surged, rising from around NT\$10 a share to over a NT\$100. One of the major traders was Ts'ai Ch'en-nan. Later it was rumored that Liu Sung-fan garnered huge profits thanks to the price surge for China Fibers stocks, but it is very difficult to get proof on such things.

Despite the existence of those problems, encouraged by the senior parliamentarian Chou Wen-mu, secretary of the Legislative Yuan party committee, Liu Sung-fan gradually came to realize that, in the stage of the center, some games could be played on an even grander scale,

and therefore took the initiative in seeking the post of standing member of the party committee. Developing to the higher levels of the party and government became the goal of Liu Sung-fan's efforts. In this process, Ma Shu-li gave him a lot of help. Thus, later on, people from the outside often wondered how Liu Sung-fan was able to get the positions of the deputy secretary-general of the Policy Planning Committee and of the director of the secretariat of the Central Committee, thereby occupying a development position superior to those occupied by other more senior augmentation-based legislators.

Liu Sung-fan truly will become the historic first augmentation-based Legislative Yuan president, and be what he himself calls Taiwan's first. If he can truly behave as he previously indicated that at his age practical gains are no longer that important, and that it is necessary to leave a good name in history, then he should endeavour to shed his past interest-bound colors. At this time of widespread cries for the establishment of a new parliament in Taiwan, establishing the dignity for president of the parliament is especially expected by the changing parliament.

Overseas Chinese View Unification-Independence Issue

92CM0131A Hong Kong PAI HSING [THE PEOPLE] in Chinese No 252, 16 Nov 91 pp 60-61

[Article by Lu Keng (7120 6972): "The Struggle Over Taiwan's Reunification or Independence Spreads Abroad"]

[Excerpt] [passage omitted] Overseas Chinese Are Also Drawn Into the Argument Over Unification or Independence for Taiwan

The argument over unification or independence for Taiwan has spread into the overseas Chinese communities. After the Democratic Progressive Party had included a pro-independence article in the party's program, the Chinese communities in the United States, including Chinese-American scholars and students from Taiwan studying in the United States, are showing deep concern. Most of the native-Taiwanese students tend toward independence for Taiwan, while all others disagree. Some associations, such as the Overseas Chinese Hsing Chung Association, in which Li Wen-chung [2621 2429 0022] and Huang Wei-cheng [7806 0251 2052] play leading roles, have expressed harsh disapproval. They have even inserted full-page announcements in Chinese language newspapers to that effect. In the middle of October, they had invited me, Yan Jiaqi and Ruan Ming [7086 2494] to a dinner party, which Ruan Ming's wife, Ruan Ro-ying [7086 5387 5391], and Helen also attended. The tone of the conversation implied more or less that Li Teng-hui was reproached for an attitude that is expressed in the saying "to tolerate evil is to abet it."

On the other hand, native-Taiwanese scholars and students revealed in unambiguous terms their favoring of Taiwan independence. On 23 October, the graduate

students' association of The University of California at Los Angeles invited me to give a lecture. The subject was to be "Deng Xiaoping and the Relationship Between the Two Sides of the Taiwan Strait." During discussion time, questions all centered around the Taiwan independence issue.

One fellow student asked me straight to the point: "Mr. Lu, do you favor independence for Taiwan?" I said, that the hope of our Taiwanese friends for Taiwan's independence is quite understandable, and their stand deserves sympathy, the question is whether the conditions exist, whether the time is ripe, and whether the objective environment will allow it. Viewing the situation at least from the present state of things, conditions do not exist, and the time is also not yet ripe. Furthermore, Taiwan has been practically independent for the last 40-odd years. Would it not be better to go on like this in peaceful competition with the mainland, awaiting the time when the mainland will also have gone democratic and then solve the problem on the Taiwan Strait, to the satisfaction of all, in form of a federation or confederation? Why confront each other with daggers drawn, or even have the situation end up in a bloodbath?

Ten years ago, old friend Kung Hsuan-wu (7895 6693 5294) told me that according to his contacts and understanding, out of hundred native Taiwanese, hundred hope for Taiwan's independence. At that time I felt that that was perhaps a bit exaggerated. Recently I read a talk given by Wang I-ting (3076 1744 1353), who once had been political vice minister in Taiwan's Ministry of Economic Affairs, and who was renowned as "political

wizard." When he discussed the attitude of the non-native Taiwanese to the unification-independence issue, he said: "There are some among the non-native Taiwanese who are in favor of independence, but there is none among the native Taiwanese who favors unification, while the native Taiwanese—I have lived here 40, 50 years, as I understand, there is among one thousand not one who from the bottom of his heart would be against independence, it is only a matter of form and opportune time." That proves that Kung Hsuan-wu was not a bit wrong when he said that the Taiwanese are 100 percent for independence. It looks, this problem cannot be solved so easily, and we must wait for time to decide.

Trade With Germany Recorded Increase in 1991

OW1903151192 Taipei CNA in English 1442 GMT
19 Mar 92

[Text] Bonn, March 19 (CNA)—Trade between the Republic of China [ROC] and Germany in 1991 amounted to \$6,880.5 million, an increase of 16.3 percent over the preceding year, according to statistics compiled by the Taipei Trade Office in Frankfurt.

Trade volume between the two countries grew constantly in the past year. The ROC continued to enjoy a surplus in 1991, with the amount standing at \$857.3 million.

The Taipei Trade Office indicates that the ROC is now the 16th import supplier and the 29th export market for Germany. It ranks 21st among the leading trading partners of Germany.

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29 APRIL '92

